SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

VOLUME 12 | number 3, May 2023

Deconstructing inflation in Spain

funcas

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Printed in Spain

Editorial and Production

Funcas
Caballero de Gracia, 28. 28013 Madrid (Spain)

Ownership and Copyright:

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ISSN print edition 2254-3899
ISSN electronic edition 2254-3880
Depósito Legal: M-10678-2012
Prints: Cecabank.

SEFO

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Letter from the Editors

The IMF's spring round of forecasts paints an uncertain picture for the next two years due to inflation, geopolitical tensions and their impact on international trade, and financial turbulence following the crisis in the regional banking sector in the US and the collapse of Credit Suisse in Europe. The Fund's experts forecast global growth of 2.8% in 2023, 0.6pp less than in 2022, and 3% for 2024. The slowdown would be particularly pronounced in the case of the eurozone, but the US economy would also show significant weakening, especially in the second half of the current fiscal year, due to tightening monetary policies.

The weaker growth outlook for Europe is in line with the European Commission's forecasts, although Brussels also points to favourable factors, including lower energy prices, the solid performance of the labour market and the strong recovery in tourism. As a result of this turnaround, the Commission has revised upwards its growth forecast for the eurozone to 1.1% in 2023 and to 1.6% in 2024.

Given the importance of the evolution of prices to the outlook for monetary policy and hence, the overall macro picture, in the May issue of *Spanish and International Economic & Financial Outlook (SEFO),* we focus on the recent performance of inflation in Spain, together with a more detailed analysis of just how exactly price increases are affecting different segments of the population.

Despite the volatility of the energy and food markets, as well as their vulnerability to global geopolitical tensions, these exogenous factors fuelling inflation in Spain since mid-2021 have started to wane. Assuming no major surprises on the geopolitical front, both energy and food prices will exert downward pressure on the CPI. That said, the disinflation process will be gradual, as core inflation –which remains elevated – is now determined by forces which are independent of the origin of the initial shock. Until recently, core inflation has been driven mainly by the dynamics of corporate profits. But we are now seeing some recovery in wages, thereby making for a slow disinflation outlook. Altogether, except in the unexpected advent of a recession or sharp correction in imported prices, it is unlikely that core inflation will return to its 2% target before the end of 2024. This, along with perceived risks of inflation expectations decoupling, makes it unlikely that we will see a return of expansionary monetary policy any time soon.

In the wake of the crisis generated by the pandemic, worry over inflation is once again dominating the economic debate. On the social front, the intensity and persistence of this bout of inflation is causing a raft of undesired collateral effects for households: sharp erosion of real income; higher costs for staple products; higher mortgage servicing costs and difficulties in setting aside savings. All these problems have intensified in the last two years, with the consumer price index (CPI) jumping from 3.1% in 2021 to 8.4% in 2022. However, the headline figures mask far bigger price increases in a broad spectrum of basic goods and services. For example, electricity costs surged 35.6% higher in 2021, while olive oil prices shot up by 26.1% in 2022. Using the micro-level basket of goods and services included in the Spanish Household Budget Survey (SHBS), this paper calculates a price index by household for 2021 and 2022. On average, the results clearly show that the post-pandemic inflationary phenomenon has hurt less well-off households proportionately more, particularly those in the first three income deciles. In other words, the households that spend roughly 14,000 euros per annum (around 1,200 euros per month). The regions most affected have been Castile-La Mancha, Castile-León, Extremadura, Galicia, La Rioja and Aragón, which between them represent the bulk of unpopulated or so-called 'empty Spain'. The households located in the smallest towns, with fewer than 10,000 inhabitants, have been affected the most, particularly those over 65 living alone.

We then turn our attention to the financial sector, to assess how monetary policy tightening in response to the recent bout of inflation has, albeit part of a process of rate normalisation, generated some challenges as regards financial stability in the traditional banking sector, but also within the ever-increasingly risky shadow banking sector.

The episodes of financial instability observed in the US and in Europe at Credit Suisse in March and the ensuing international contagion have given pause for thought about the implications of financial normalisation via monetary tightening underway. Although the European banking sector, including the Spanish banks, is proving generally more resilient, the bouts of instability had a pronounced adverse impact on most financial intermediaries. As for the Spanish banks, they continue to bolster their solvency while keeping non-performance low. Although it is hard to draw comparisons and the market environment is very volatile, an analysis of the 12-month returns in the various banking sectors one month on from the fall of SVB and Credit Suisse shows the Spanish banking sector outperforming the European and US averages. The chief challenge is for the US supervisor to convince the markets that it can reform its supervisory mandate quickly enough to prevent similar situations from occurring among its mid-size banks. Meanwhile, most international analysts and institutions are flagging non-bank financial intermediaries, and the shadow banking ecosystem in general, as potential sources of instability worth monitoring.

Subsequently, we explore how the banks are managing their balance sheets in the context of monetary policy changes, specifically looking at the issue of deposit beta, and how simply passing on rising interest rates to depositors may not be as straightforward an exercise as it initially seems.

More than one year after 12-month Euribor abandoned negative terrain, after rallying to levels not seen since before the financial crisis, the big dilemma facing the banks is at what pace and to what extent they should pass the increase in market rates on to their customers, embodied by the so-called 'beta' coefficient, by analogy with that used in the equity markets to measure share price sensitivity to the market index. So far, the percentage of the buildup in Euribor that gets passed through to deposit rates, or deposit beta, in Spain is proving smaller than that being observed on the asset (lending) side of the business and in other European countries, drawing sharp attention from the media. Compared to past episodes of rate tightening in Spain, we are seeing a weaker/slower pass-through beta this time around, in particular in the case of term deposits. However, the loan pass-through beta is also lower by comparison with other periods on account of the intensity of the upward shift in the curve, the effect of rate repricing on the banks' portfolios and the relatively higher weight of fixed-rate loans at present. In any event, any analysis of the current situation requires taking stock of the banks' holistic pricing strategy as a function of their combined positioning in assets and liabilities, the make-up of their customer bases on both sides of the business and their transformation and capital cost structures. Nevertheless, sooner or later, competitive pressure is bound to drive an increase in the deposit beta.

Next, we shift gears to assess the current status and challenges related to Spain's execution of Next Generation EU funding. The Strategic Projects for Economic Recovery and Transformation (PERTEs) were created to channel the Next Generation EU (NGEU) funds into areas identified as priorities for the modernisation and competitiveness of the national economy. The idea is to channel over 40 billion euros of public investment into a dozen strategic areas. That is around one-quarter of all the funds Spain stands to receive under the Recovery and Resilience Facility. Despite having been created to allocate funds into areas of strategic importance for Spain's economic advancement, PERTE execution has stumbled upon certain difficulties. By year end 2022, only around 5.6 billion euros had been committed (tenders and grants adjudicated), which is less than half of the funds channelled using this instrument. The key challenges to have emerged since approval of the first PERTE in July 2021 can be classified into three major categories: (i) challenges associated with requirements specific to the grant calls; (ii) challenges linked to the regulatory environment; and, (iii) challenges derived from economic and market conditions. Going forward, in addition to ex-ante assessments performed prior to the publication of calls for PERTE grants, it will be important to monitor and evaluate the initiatives after adjudication to ensure European funds are channelled effectively and maximize their reach. [1]

We close this issue of *SEFO* by looking at Spanish household and corporate accounts. First, we assess the performance of Spanish households and corporates in the last few years to understand how each sector is recovering post pandemic. Finally, we look at the outlook for household and corporate financing conditions in Spain within a European context.

The pandemic has had a relatively limited impact on the aggregate level of household finances in Spain with the sector's GDI recovering to 2019 levels by 2021. The household sector also set aside a significant savings buffer, which following official statistics revisions, turned out to be even higher than initially estimated at 137 billion *versus* 94 billion euros. In the case of the corporate sector, revised figures show that the negative impact of the pandemic on corporate income was actually stronger than originally anticipated. Indeed, between 2020 and 2021, the non-financial corporations generated a net lending position of 12.2 billion euros, instead of the initially reported surplus of close to 78 billion euros. As a result, the original conclusion drawn that the household sector's accounts had held up remarkably well in 2020-2021, in contrast to the impairment sustained by the business sector, not only remains valid, but rather the contrast between the two sectors' performances is starker than originally thought. In 2022, however, the corporate sector's finances fared better than those of the household sector, fully recovering from the hit taken in 2020. Nevertheless, corporate profits (after tax) have increased by less compared to pre-pandemic levels than household income (+1.4% *vs.* +4.7%), partly due to lower growth in their pre-tax income and partly due to the relatively bigger increase in the effective tax rate sustained by the corporate sector- a major topic of debate at present.

Access to bank loans has become tougher in recent months primarily as a result of the increase in interest rates. Borrowing rates have risen due to a combination of factors: central bank rate hikes; perceptions of increase in risk; an increase in the banks' aversion to lend; the prospect of an economic slowdown; and the recent bout of financial instability. That said, since January 2021, when 12-month Euribor hit a record low, Spanish banks' lending rates have increased by less than in the eurozone on the whole. Specifically, however, while corporate lending rates in Spain are lower than the eurozone average, mortgage and consumer lending rates are higher. The rate of growth in new lending activity has slowed, with business lending outpacing household lending by a wide margin. The growth in interest rates is leaving businesses and households poorer. Considering that in 2022, businesses earmarked 6.9% of their gross disposable income to the payment of 14.36 billion euros of interest, with households spending 0.8% (6.44 billion euros), an increase of 2 percentage points in borrowing costs in 2023 would increase the two segments' interest burden by a combined 33 billion euros. The good news is that both the business and household segments are better positioned to tackle the increase in borrowing costs than in the past thanks to significant deleveraging: the ratio of private debt-to-GDP decreased by 23pp between 2020 and 2022.

Notes

[1] Given the recent results of the regional and local elections in Spain, which took place just prior to the publication of this issue of *SEFO*, NGEU fund execution may be subject to changes.

What´s Ahead (Next Month)

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

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What Matters

Regulation and Economic Outlook

Key Facts

The inflation outlook in Spain

The recent relaxation in energy prices and improved outlook for food prices holds the promise of a deflationary process in Spain. That said, given the inherent volatility of these markets, coupled with still persistent core inflation dynamics, we are unlikely to see a rapid convergence to price stability targets and thus do not expect a return of expansionary monetary policy any time soon.

Raymond Torres

Abstract: Despite the volatility of the energy and food markets, as well as their vulnerability to global geopolitical tensions, these exogenous factors fuelling inflation in Spain since mid-2021 have started to wane. Assuming no major surprises on the geopolitical front, both energy and food prices will exert downward pressure on the CPI. That said, the disinflation process will be gradual, as core inflation –which remains elevated– is now determined by forces which are independent of the origin of the initial shock. Until recently, core inflation has been driven mainly by the dynamics of corporate profits. But we are now seeing some recovery in wages, thereby making for a slow disinflation outlook. Altogether, except in the unexpected advent of a recession or sharp correction in imported prices, it is unlikely that core inflation will return to its 2% target before the end of 2024. This, along with perceived risks of inflation expectations decoupling, makes it unlikely that we will see a return of expansionary monetary policy any time soon.

Introduction

Since its resurgence in mid-2021, inflation has been a key determinant of the performance of the Spanish economy. Having started out as an external shock derived from the surge in the cost of energy and imported inputs, the bout of inflation eroded the purchasing power of the economy as a whole (deterioration in the terms of trade), taking a particular toll on wage-earners and the companies more exposed to the upheaval (Torres and Fernández, 2022). As a result, internal demand, particularly household consumption, has lost momentum, dragging on growth. Moreover, monetary policy has been tightened sharply in order to anchor inflation expectations and so prevent so-called second-round effects, those that emerge subsequent to the initial price increase.

In recent months, energy markets have given back some of the price gains and global supply chains have begun to reorganise, easing bottlenecks, and dampening the external shock that originally triggered the inflationary process. However, another bout of inflation, affecting food, continues to exert pressure, and core inflation remains high.

The goal of this paper is to analyse the conditions in which the ongoing counter-shock in energy prices can fully trickle through to other prices so as to unleash a period of sustained disinflation. To do so, we need to distinguish between, on the one hand, the effect of lower energy prices on headline inflation and, on the other hand, internal price and wage dynamics. Based on this analysis, we provide forecasts for the inflation trajectory in the coming years.

The external price shock and subsequent easing

The tensions in the gas, electricity and, to a lesser degree, oil markets were exacerbated in the aftermath of the outbreak of war in Ukraine, boosting the energy component of CPI. The peak was reached in July 2022, with an energy CPI increase of 41.4%, year-on-year.

Since the summer, however, oil and gas prices have been trading at considerably lower levels and the futures markets point to stabilisation around current readings. On Mibgas, gas is currently trading at around €30, compared to over €160 in August, and forward prices for the next couple of years are relatively stable. Lower prices, coupled with the cap on the price of gas for electricity price determination purposes, have been accompanied by a sharp reduction in electricity bills. Oil prices, meanwhile, which had traded at close to $130/barrel (Brent) after the invasion of Ukraine, have also trended lower, to below $80 in both the spot and futures markets. Note, however, that overall energy prices remain considerably above pre-pandemic levels.

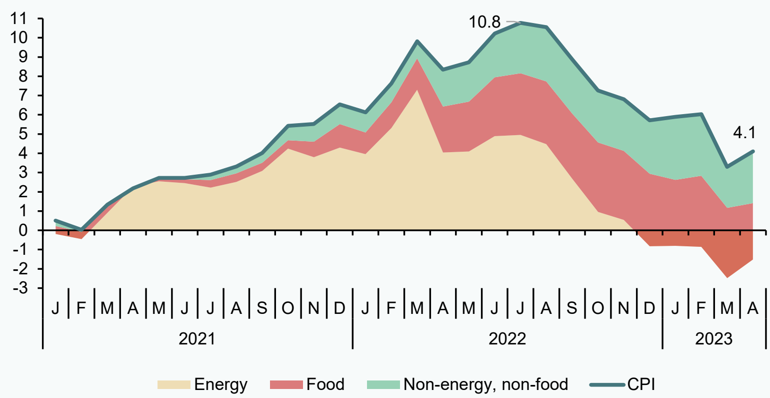
Nevertheless, recent price trends are translating into a notable reduction in energy CPI (-24% between the peak of July 2022 and April 2023), which has in turn led to a let-up in inflation in light of the significant weight of energy, both directly in headline CPI (the energy component represents 10% of the total) and indirectly, since energy is a key production input for all sectors (Exhibit 1). That indirect effect is, by its nature, necessarily gradual, as the pace at which cheaper energy gets passed through to other prices depends on the links comprising the various production chains.

As a result, industrial and agricultural production costs have begun to reflect the drop in the cost of energy and other imported inputs. The industrial producer price index, excluding energy, registered in April an annual growth of 4.2%, leaving behind the double-digit readings posted all of last year. In agriculture, the inflexion point was reached more recently due to the upward pressure on prices from other factors, including adverse weather and the drought affecting Spain. However, the data tracking the prices paid by farmers for fertilisers and other inputs point to a slight slowdown which, little by little, should start to curb food CPI (Ministry of Agriculture, Fishing and Food, 2023).

> "Recent price trends are translating into a notable reduction in energy CPI, which has in turn led to a let-up in inflation in light of the significant weight of energy, both directly in headline CPI and indirectly, since energy is a key production input for all sectors."

> “Assuming a scenario of no major new geopolitical events, it is likely that both energy and food will start to put downward pressure on the CPI.”

Exhibit 1 **Headline CPI (year-on-year) and its components**



Source: INE and Funcas.

In short, the exogenous factors that were fuelling inflation have started to wane. There are bound to be ups and downs along the way due to the volatility characteristic of the energy and food markets and their vulnerability to global geopolitical tensions. However, assuming a scenario of no major additional surprises on the geopolitical front, it is likely that both energy and food will start to deflate CPI.

Onset of second-round effects

Thereby, price dynamics will henceforth depend on core inflation, and thus on internal factors, irrespective of the origin of the initial shock. In this respect, particular attention should be devoted to the dynamics of wages and corporate profits. This includes consideration of the recovery in purchasing power by wage-earners and the sectors hardest hit by the pandemic, which will inevitably keep exerting pressure on prices. Expectations are also key: empirical evidence shows that in a context of high inflation, the economic agents tend to set prices based on their outlook for cost increases, creating the risk of further eroding wage purchasing power and triggering a fresh round of inflation. The risk of a de-anchoring of expectations helps

> “The risk of expectation decoupling helps explain the ECB’s unwillingness to pause its interest rate increases despite the signs of economic weakness.”

> The increase in the GDP deflator (+10.1% between 2Q21 and 1Q23) is mostly attributable to the recovery in corporate earnings and to a much lesser degree to unit labour costs.

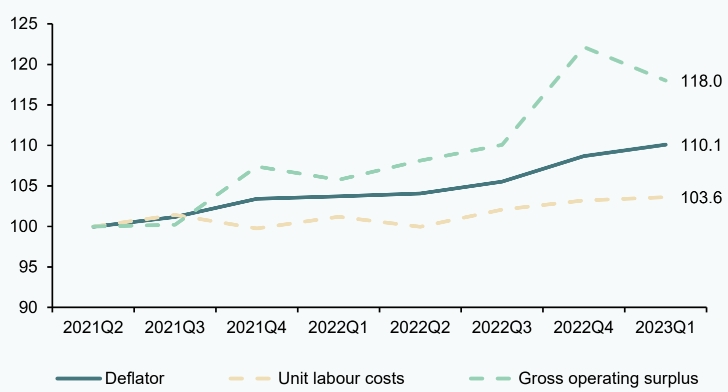
explain the ECB's unwillingness to pause its interest rate increases despite the signs of economic weakness (Borio *et al.*, 2023).

According to a number of indicators, core inflation, which excludes energy and unprocessed food, tends to be relatively persistent. In Spain, core inflation was still at 6.6% year-on-year in April. Stripping core inflation down further to exclude processed as well as unprocessed foods and energy, the resulting measure reveals high readings of 4.5%-5% since the start of the year. Similarly, the GDP deflator, the best proxy for internal inflation dynamics (albeit only available quarterly), increased by 6.2% in the first quarter, compared to an average of 0.8% during the period of growth that was truncated by the pandemic (average for 2014-2019). [1]

The GDP deflator is also the only indicator that enables a thorough assessment of how wages and corporate profits (the two main channels of internal inflation transmission) are contributing to price formation. Hence, its utility for the purposes of this paper. An analysis of both factors since the onset of the inflationary cycle yields two conclusions. Firstly, the increase in the GDP deflator (+10.1% between 2Q21 and 1Q23) is mostly attributable to the recovery in corporate earnings and to a much lesser degree to the increase in unit labour costs (Exhibit 2). Specifically, 73% of the inflation observed in terms of the GDP deflator between 2Q21 and 1Q23 is due to the gross operating surplus per unit of output; 17% is attributable to the growth in unit labour costs; and the remaining 10% is the result of taxes net of subsidies.

Exhibit 2 **GDP deflator, labour costs and corporate profits**

2Q21 = 100

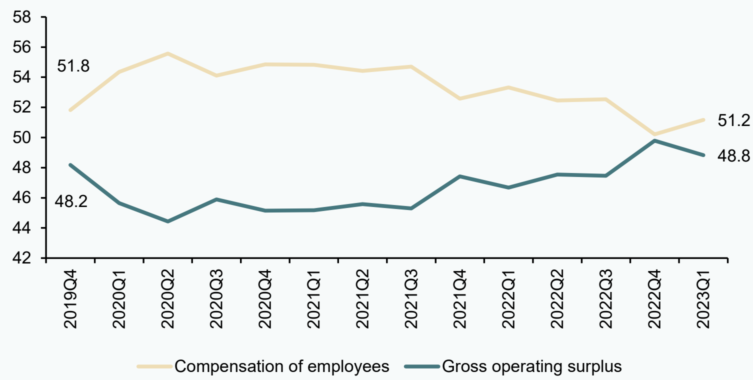


Note: Labour costs are presented per unit of output, while corporate profits refer to gross operating surplus and mixed income per unit of output.

Source: Author's estimates based on the INE's national accounts.

Exhibit 3 **Employee compensation and gross operating surplus**

Percentage of GDP at market prices



Source: Author's estimates based on the INE's national accounts.

Secondly, the increase in corporate earnings is partially attributable to the post-pandemic. Corporate profits were badly hit by the lockdown, so that some of the growth observed in its wake reflects a catch-up process: following the sharp contraction recorded in 2020, the gross operating surplus as a share of gross value added at market prices embarked on a recovery path, only revisiting pre-pandemic levels by the last quarter of last year (Exhibit 3). In 1Q23, that metric was 0.6 percentage points above the level recorded in the last quarter of 2019. However, this general trend masks different sectoral realities. According to figures released by the tax authorities, profits have been particularly dynamic in the energy and wholesale sectors, while they have yet to revisit pre-pandemic levels in construction and some areas of manufacturing.

Outlook for inflation

Based on the above analysis, as well as two key assumptions, inflation estimates for the next three years can be inferred. The first assumption that underpins the projection relates to the stabilisation of energy and other imported input prices. In other words, we are assuming that there will be no new supply shocks, in either direction, so that inflation will depend fundamentally on internal price dynamics, in turn determined by labour costs and corporate profits. In statistical terms, this means that the CPI will move more or less in line with the GDP deflator (this being the pattern observed prior to the pandemic).

The second major assumption has to do with wage dynamics. Here we incorporate the recently concluded national agreement for

> "The recovery of corporate profits at the aggregate level masks different sectoral realities – profits have been particularly dynamic in the energy and wholesale sectors, while they have yet to revisit pre-pandemic levels in construction and some areas of manufacturing."

> For inflation to return rapidly to 2%, in a context marked by the wage agreement, corporate profits would have to fall substantially from first-quarter levels – something which has never happened in the Spanish economy except during episodes of recession.

collective bargaining, under which private sector wages are set to increase by at least 4% this year and a further 3% in both 2024 and 2025. Average compensation per wage-earner could rise by a little more than the threshold established for this year, in light of the planned increase in the minimum wage (while public sector pay may increase by less than the amount agreed for the private sector, this will not be enough to offset the impact of the increased minimum wage on the aggregate figure). Factoring in slight growth in labour factor productivity (0.5% per annum) yields growth in unit labour costs of 3.7% this year and of 2.5% in the following two years. Weighting those figures by the share of employee compensation in GDP we arrive at a contribution to the deflator of 1.9 points this year, 1.7 points in 2024 and 1.3 points in 2025 (see Table).

Starting from these assumptions, the path taken by inflation will depend on the trend in corporate margins. In our baseline scenario, we assume stabilisation in profits on aggregate around the levels observed in the first quarter of this year, given full recovery in profitability to pre-pandemic levels, as noted above. In addition, the current internal demand weakness leaves little space for businesses to hike sales prices beyond what can be justified by production costs. The operating surplus is still expected to contribute 2.8 points to the GDP deflator this year, as the 1Q23 figure was higher than last year's average (see Table). In 2024 and 2025, the contribution by the operating surplus is estimated at 1.8 and 1.2 points, respectively, framed by our central assumption that corporate profits will stabilise.

Adding the contribution by employee compensation and operating surplus together yields GDP deflator forecasts of 4.7%, 3.5% and 2.5% for the next three years. Those forecasts, while still above the target of 2%, are relatively prudent, as they imply incomplete replenishment of the purchasing power lost since the onset of the current bout of inflation. In other words, we are contemplating second-round effects in wage terms. The slowdown in corporate profit growth is also a relatively sanguine assumption, as it implies breaking the ongoing upward trend. [2]

Table 1 **Forecast growth in the GDP deflator and its components**

Percentage

	2023	2024	2025
GDP deflator	4.7	3.5	2.5
of which:			
Unit labour costs	1.9	1.7	1.3
Gross operating surplus	2.8	1.8	1.2

Source: Funcas.

For inflation to return rapidly to 2%, in a context marked by the wage agreement, corporate profits would have to fall substantially from first-quarter levels. That has never happened in the Spanish economy for as long as there are records except during episodes of recession: over the past four decades, the economy's gross operating surplus per unit of output only contracted in the recession of the early 90s, during the financial crisis and in 2020.

Conclusions

The disinflation process facilitated by the let-up in energy prices will be gradual. Except in the unexpected advent of a recession or a sharp correction in imported prices, it is unlikely that core inflation will return to its target level of 2% before the end of 2024. Moreover, disinflation could be slower in other eurozone economies closer to full employment, so that it is unlikely that a return to the pre-inflation expansionary stance of monetary policy happens any time soon. Interest rates could begin to ease in tandem with disinflation as from next year, a development that would help contain financial costs, especially for households with borrowings at floating rates of interest (Torres, 2023). There are no signs, however, of a return to the era of quantitative easing.

Notes

[1] One has to go as far back as the 1990s to find a similar increase in the GDP deflator.

[2] This estimate is in line with Mojon, Nodaro and Siviero (2023).

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Impact of inflation in Spain in 2021 and 2022: Which households have been the hardest hit?

The intensity and persistence of the recent bout of post-pandemic inflation is causing a set of undesirable consequences for Spanish households. However, the headline figures mask an even more worrying reality – that the current inflationary phenomenon has had proportionately more severe consequences for less well-off households.

Desiderio Romero-Jordán

Abstract: In the wake of the crisis generated by the pandemic, worry over inflation is once again dominating the economic debate. On the social front, the intensity and persistence of this bout of inflation is causing a raft of undesired collateral effects for households: sharp erosion of real income; higher costs for staple products; higher mortgage servicing costs and difficulties in setting aside savings. All these problems have intensified in the last two years, with the consumer price index (CPI) jumping from 3.1% in 2021 to 8.4% in 2022. However, the headline figures mask far bigger price increases in a broad spectrum of basic goods and services. For example, electricity costs surged 35.6% higher in 2021, while olive oil prices shot up by 26.1% in 2022. Using the micro-level basket of goods and services included in the *Spanish Household Budget Survey (SHBS)*, this paper calculates a price index by household for 2021 and 2022. On average, the results clearly show that the post-pandemic inflationary phenomenon has hurt less well-off households proportionately more, particularly those in the first three income deciles. In other words, the households that spend roughly 14,000 euros per annum (around 1,200 euros per month). The regions most affected have been Castile-La Mancha, Castile-León, Extremadura,

> "Behind that aggregate provided regularly by the National Statistics Office (INE), there is an underlying CPI for each household whose value depends on the relative composition of its respective basket of goods and services."

Galicia, La Rioja and Aragón, which between them represent the bulk of unpopulated or so-called 'empty Spain'. The households located in the smallest towns, with fewer than 10,000 inhabitants, have been affected the most, particularly those over 65 living alone.

Constructing a price index for each household (Household CPI)

The CPI synthesises into a single figure the change in the prices of the various items comprising the average basket of household goods and services. Due to the way it is calculated, it lacks a sufficient level of abstraction as it provides an average figure for the impact of prices on resident households. Behind that aggregate provided regularly by the National Statistics Office (INE), there is an underlying CPI for each household whose value depends on the relative composition of its respective basket of goods and services. In other words, each household has its own CPI, which for simplicity we will term the HCPI. That index is shaped by the interaction of two variables: (i) the movement in the prices of goods and services; and (ii) the weight of each item in their baskets.

The HCPI estimated in this paper uses statistics taken from two different INE sources. For prices, it uses the annual nationwide CPI data broken down by subclass. For the structure of household spending, we used the most recent *Spanish Household Budget Survey (SHBS)* available, which relates to 2021. The SHBS is a representative sample providing socioeconomic information for around 20,000 households. The level of disaggregation is greater in prices than expenditure. As a result, we had to perform an *ad-hoc* allocation for items of expenditure that do not have a specific price using the closest price criterion.

To calculate the weight of the various goods in the shopping basket we excluded two expenditure items included in the SHBS. Specifically: (i) imputed rent; and (ii) remittances to other non-resident members. [1] Imputed rent is an estimate of the rental price homeowners would have to pay if they were tenants in their own homes – the average value is high in Spain on account of the significant weight of home ownership. [2] Unlike real rents, however, imputed rents do not reflect the exchange of money between parties. Remittances to other members are unilateral transfers for which it is not possible to determine their destination. Hereinafter, we will term the sum of the various goods and services covered by the SHBS, excluding these two items, "Adjusted Household Expenditure".

The estimated HCPI values by level of spending power and socioeconomic indicators make it possible to identify which classes of households have been hit the hardest by the prevailing inflation. Moreover, a comparison between the distribution of the average HCPI and headline CPI allows us to calculate the percentage of households relatively more affected by the rise in prices. Specifically, a given household's HCPI may be above, below or equal to CPI depending on its spending structure. As we will see below, households whose expenditure is concentrated more intensely around goods that have been more affected by the current inflation will present HCPI readings that are above headline CPI. If the opposite is true, their HCPI will be below the headline index.

Prices and spending structures

Table 1 provides the year-on-year rates of inflation for 2021 and 2022 grouped into 20 categories whose prices increased by 3.1%

and 8.4% on average, respectively. It also provides the average weight represented by those groups of goods in Adjusted Household Expenditure in the SHBS for 2021. As for the average baskets of goods and services, the information provided in Table 1 shows that food and non-alcoholic beverages account for the highest share of spending by Spanish households, at 24.8%. That category is followed, by a wide margin, by expenditure on restaurants and hotels, at 8.3%, and on energy (electricity, natural gas and liquefied gas), at 7.0%. After those items, household expenditure is scattered across a significant number of categories accounting for between 4% and 6% of total spending, covering a wide variety of needs such as clothing, rent, home maintenance, communication, recreation and culture and vehicle fuels. Lastly, the goods with the smallest weights in the average basket of goods and services are personal care (3.9%), alcoholic beverages and tobacco

Table 1 **Trend in prices and spending structure of Spanish households**

	CPI		Spending structure SHBS - 2021		
	2021 %	2022 %	Average %	Std. dev	Median %
1. Food and non-alcoholic beverages	1.8	11.6	24.84	0.14	23.13
2. Alcoholic beverages and tobacco	0.3	3.9	2.26	0.05	5.60
3. Clothing and footwear	1.0	2.7	4.85	0.06	2.66
4. Rentals for housing	0.6	1.3	4.04	0.11	0.00
5. Home maintenance and water supply	1.3	4.2	5.88	0.06	4.04
6. Electricity	35.6	26.8	4.82	0.04	3.74
7. Natural gas	4.9	19.2	1.33	0.03	0.00
8. Other liquid fuels	26.5	72.5	0.91	0.03	0.00
9. Furniture and household equipment	0.9	5.8	5.40	0.07	3.28
10. Health	0.7	1.1	5.00	0.08	1.81
11. Purchase and maintenance of personal vehicles	1.8	7.2	5.42	0.12	3.60
12. Vehicle fuels	16.0	22.4	4.67	0.07	0.29
13. Public transport	-1.1	-0.9	0.78	0.03	0.00
14. Communication	-1.3	-3.0	4.68	0.04	3.87
15. Recreation and culture	0.2	2.8	4.82	0.07	2.28
16. Education	0.2	1.2	1.32	0.04	0.00
17. Hotels and restaurants	0.9	6.4	8.25	0.11	4.20
18. Personal care	0.0	4.2	3.88	0.04	2.70
19. Senior and dependent care	1.3	3.4	0.22	0.03	0.00
20. Insurance and other services	2.7	2.5	6.21	0.06	4.76
Total expenditure groups	3.1	8.4	---	---	---

Source: INE (2022, 2023) and author's own elaboration.

> The intense inflation sustained in 2021 and 2022 has hit the households with less spending power.

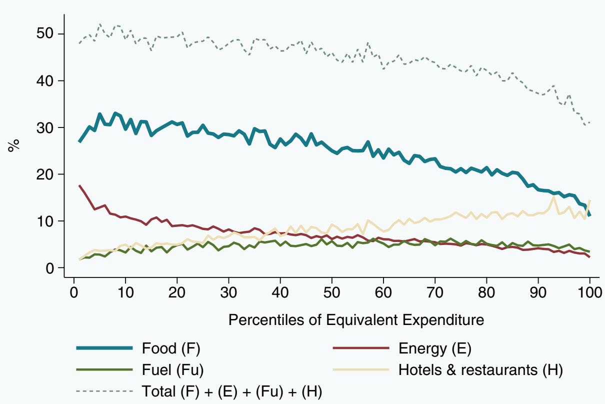
(2.3%), education (1.3%), public transport (0.7%) and senior and dependent care (0.2%).

Behind the headline inflation of 3.1% in 2021 lie far bigger increases in certain goods. Specifically, the goods and services most affected by the inflation that year were energy goods and services, with electricity costs jumping a noteworthy 35.6%, and the price of liquid fuels rising 26.5%. In 2021, the price of food increased by just 1.8% on average. Inflation intensified in 2022, climbing to 8.4%, with energy the category most affected by the rampant inflation once again. Growth in electricity prices eased to 26.8%, but growth in natural gas prices accelerated from 4.9% to 19.2%, while liquid fuel prices soared 72.5% higher. Vehicle fuel prices registered growth of 22.4%, followed by price growth of 11.6% in food products, 7.2% in personal vehicles and their repair and 6.4% in restaurants and hotels. It is worth singling out the growth observed in food prices throughout 2022. Of the 55 food price headings calculated by the INE, 17%, including milk, eggs and olive oil, registered growth of between 20% and 30%; 41%, including meat, bread, legumes, potatoes and fresh fruit, registered growth of between 10% and 20%, with the remaining 42% sustaining price growth of less than 10%.

In short, Table 1 shows how the inflation sustained in 2021 and 2022 affected the goods with the highest weight in Spanish households' shopping baskets: food, energy, fuel, restaurants and hotels. Exhibit 1 depicts the relative weight of those four expenditure groups in household spending. Those weights have been charted by percentile of Household Equivalent Expenditure for which Adjusted Household Expenditure has been reweighted to reflect household size and composition. To

Exhibit 1

Distribution of the items of expenditure most affected by inflation



Sources: Author's own elaboration based on INE statistics (2022).

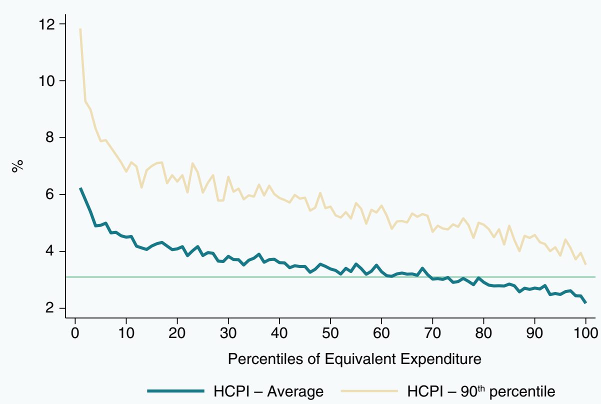
do that, we use the OECD's equivalence scale which assigns a value of 1 to the breadwinner, 0.7 to other household members over the age of 13 and 0.5 to members under the age of 13. The results show that the share of expenditure accounted for by food is a decreasing function of equivalent expenditure, accounting for roughly 30% of the total in the first three deciles and less than 16% in the last decile. The decreasing share pattern is also observed in energy, with weights of over 10% in the first decile, compared to less than 5% in the last decile. Overall, Exhibit 1 shows that the aggregate share of these four expenditure groups clearly decreases as a function of the level of equivalent expenditure. As a result, as we will see next, the intense inflation sustained in 2021 and 2022 has hit the households with less spending power.

Impact of inflation by level of household expenditure

Exhibits 2 and 3 show the average HCPI by percentile of equivalent expenditure in 2021 and 2022. For illustration, the exhibit also includes the 90th percentile of the distribution. As foreshadowed above, HCPI decreases as a function of equivalent expenditure in both years. In 2021, the first seven deciles bore a rate of HCPI above the headline rate of 3.1%. The differences are far more pronounced in the first three deciles, at 5.0%, 4.2% and 3.9% in the first, second and third deciles, respectively. In contrast, the average HCPI is below CPI for the upper 30% of households. We can therefore talk about a 70/30 split to synthesise the percentage of households that sustained rates of HCPI that were higher/lower than headline inflation in 2021. That 70% includes households with adjusted annual expenditure of up to 26,900 euros. A comparison of the HCPI values at either end of the distribution is useful in looking at the differences in impact of inflation on households furthest apart in terms of spending power. Specifically, average HCPI in the first decile, which includes the 10% of households with the least spending power, is 5.1%. That is 1.6 times headline CPI of 3.1%. In contrast, average HCPI in the bottom decile, which encompasses the 10% of households with the highest spending power, is 2.5%, equivalent to 80% of CPI. In other words, average HCPI in the first decile is twice that of the last decile.

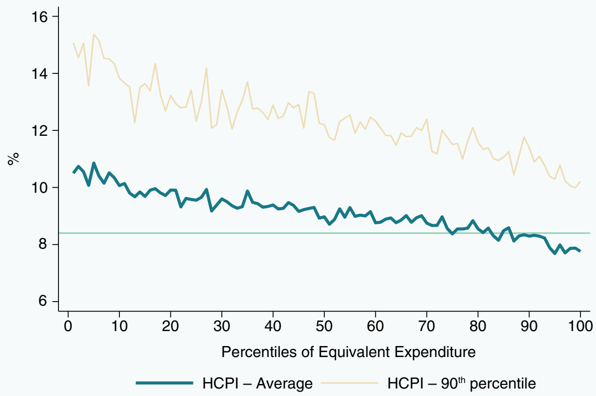
In terms of the impact in 2022, the 70/30 split observed in 2021 changes to 80/20.

Exhibit 2 **HCPI in 2021**



Note: The horizontal line represents 2021 CPI.
Source: Author's own elaboration based on INE data (2022, 2023a).

Exhibit 3 **HCPI in 2022**



Note: The horizontal line represents 2022 CPI.
Source: Author's own elaboration based on INE data (2022, 2023a).

That means that in 2022, the percentage of households that on average sustained a rate of HCPI above headline inflation increased by 10 points, so that the threshold for being in that situation increased from 26,900 euros of adjusted annual expenditure to 32,500 euros. The differences in the intensity of the impact among the first deciles decreased slightly in 2022 by comparison with 2021. Specifically, the distance between the first and third deciles narrowed from 1.3 points in 2021 to 0.9 points in 2022. All in all, the information provided in Exhibits 2 and 3 confirms that the sharp growth in prices in 2021 and 2022 disproportionately affected the households with lower spending power. To illustrate this, the 90th percentile distribution shows that in some households the incidence was much higher than indicated by the average. For those households, the HCPI for the first decile was 8.48% in 2021 and 10.41% in 2022, which is 5.3 points and 2.0 points above the CPI readings, respectively.

Impact of inflation by region and socioeconomic category

Table 2 shows HCPI for 2021 and 2022 by Spanish region. Both sets of results have been ranked in descending order by 2022 HCPI. For comparative purposes, the table includes the regional ranking of households by income levels gleaned from the Living Conditions Survey (INE, 2023b) in which the Basque region is at the top. It also provides the equivalent household size (UC1); Ceuta has the largest equivalent household size (2.43 members) and Asturias, the smallest (1.9). Lastly, we provide the share of the shopping basket accounted for by spending on food, energy and fuels and by the aggregate of all three items. The inflation impact rankings follow similar patterns in 2021 and 2022 so we focus the analysis below on the 2022 results.

The six regions presenting HCPIs above CPI in 2022 were Castile-La Mancha, Castile-León, Extremadura, Galicia, La Rioja and Aragón, in that order. They are home to the majority of Spanish provinces that comprise what is known as depopulated or empty Spain (Bandrés and Azón, 2021). In these regions, the average share of the shopping basket accounted for by food, energy and fuel is above the national average. Castile-La Mancha, the Spanish region with the highest HCPI reading in 2022, also earmarks the highest shares of total expenditure to food (26.9%) and

Table 2 **Incidence of inflation by region ordered by HCPI in 2022**

Region	HCPI		Ranking* Income	UC1**	Share of food (F)	Share of energy (E)	Share of fuel (Fu)	Total F+E+Fu
	2021	2022						
Castile-La Mancha	3.15	9.89	15	2.10	26.9	10.4	5.4	42.8
Castile-León	4.63	9.2	10	1.89	25.4	8.7	5.9	40.0
Extremadura	3.84	8.96	19	2.03	26.3	7.9	6.1	40.3
Galicia	2.99	8.91	13	1.98	26.8	7.3	5.4	39.5
La Rioja	3.2	8.64	7	1.95	24.4	8.8	3.3	36.6
Aragón	3.36	8.62	5	2.00	25.6	7.8	4.1	37.5
Navarre	2.85	8.33	2	1.95	24.6	7.9	4.6	37.1
Asturias	3.66	8.26	8	1.86	26.3	7.1	3.6	37.0
Cantabria	4.02	8.22	6	1.96	25.4	7.3	4.6	37.3
Murcia	3.36	8.15	16	2.20	25.1	6.5	5.3	36.9
Andalusia	3.5	8.12	17	2.10	25.4	6.2	5.7	37.3
Valencia	4.14	7.74	14	2.01	24.5	6.3	4.4	35.3
Balearic Islands	3.3	7.57	12	1.96	23.4	6.6	5.2	35.3
Catalonia	3.49	7.49	4	2.01	24.4	7.0	3.2	34.6
Basque region	3.4	7.39	1	1.98	23.8	5.9	3.6	33.3
Canary Islands	3.41	7.38	18	2.07	25.0	4.7	6.3	36.0
Ceuta	3.11	7.29	11	2.43	23.9	4.9	3.3	32.0
Melilla	3.19	7.17	9	2.36	26.1	5.3	3.0	34.5
Madrid	3.77	7.14	3	2.05	20.8	6.8	3.9	31.6

(*) Equivalent household size using the OECD equivalence scale (1991).
(**) Income per person and unit of consumption (INE, 2023b).
Source: Author's own elaboration based on INE data (2022, 2023a).

energy (10.4%). In population terms, all six regions share two noteworthy characteristics. Firstly, their population density is below the national average (94.1 inhabitants/km²) and that metric is below 30 inhabitants/km² in Castile-La Mancha, Castile-León, Aragón and Extremadura. Secondly, with the exception of Castile-La Mancha, the level of population ageing is above the national average (INE, 2023c). Specifically, the ratio of seniors over the age of 65 to minors under the age of 15 is 1.5 in Aragón, La Rioja and Extremadura and 2.1 in Castile-León, compared to a national average of 1.3.

High population dispersion coupled with the existence of a small number of large towns, where most of the provision of public and private goods and services tends to take place, would explain the high share of fuel expenditure in Castile-La Mancha, Castile-León and Extremadura. Elsewhere, the different variants of the (more extreme) continental climate that affect Castile-La Mancha, Castile-León, Extremadura and Rioja explain the high share of spending on energy. At the opposite end of the spectrum, the six regions with the lowest HCPI readings were Madrid, Melilla, Ceuta, the Canary Islands, the

> The average difference in HCPI between larger towns (with a population of more than 100,000 inhabitants) and smaller towns (with fewer than 10,000) was 1.9 points in 2021 and 3.4 points in 2022 and the HCPI also increased more in small towns than in large towns, increasing 5.4 points in the former and 4.0 points in the latter.

Basque region and Catalonia. They have in common shares of expenditure on food, energy and fuels that are below the national average. In Madrid, the Basque region and Catalonia, that is attributable to proportionately lower spending on food, with Madrid presenting the lowest share, at 20.8%. In Ceuta, Melilla and the Canary Islands, it is due to lower relative spending on energy and fuel, offsetting their higher spending on food.

The interplay of geographic location and climate conditions and household expenditure levels provides insight into the differences in the incidence of inflation observed from one region to the next. More specifically, geographic locations determine the amount of energy used by households via two factors: the annual number of hours of sunshine received, which shapes lighting requirements, and climate conditions, which affect the use of heating and air conditioning devices (INE, 2020). [3] There are significant differences in these two factors across the Spanish territory. For example, the number of hours of sunshine enjoyed along the Cantabrian coast is approximately 1,800 per annum, compared to around 3,000 hours in the south. Meanwhile, winter temperatures in the central regions are among the lowest in Spain, affecting spending on heating.

Table 3 provides HCPI readings by geographic location of the households alongside a selection of socioeconomic variables. The results show that inflation is being felt more keenly in small towns with fewer than 10,000 inhabitants. Note that small towns represent 73.7% of Spain's 8,131 municipalities. The average difference in HCPI between larger towns (with a population of more than 100,000 inhabitants) and smaller towns (with fewer than 10,000) was 1.9 points in 2021 and 3.4 points in 2022. Between 2021 and 2022, the HCPI increased more in small towns than in large towns, increasing 5.4 points in the former and 4.0 points in the latter. By way of example, the Appendix shows that the differences in the averages as a function of the size of the towns where the households reside are statistically significant.

Inflation also has different impacts depending on household structure. Those made up of just one person over the age of 65 bear higher average HCPI readings than those made up of young couples (with or without children) and than single-parent households. A common pattern across all household structures is the fact that HCPI levels are clearly higher for households living in rural areas. Consider the case of seniors over the age of 65, where the HCPI readings vary between 7.44 for residents in urban areas and 10.72 for those living in rural areas, *i.e.*, a difference of 3.28 points. As we saw in the last section, households with less spending power are suffering

> A common pattern across all household structures is the fact that HCPI levels are clearly higher for households living in rural areas.

higher HCPI levels. That outcome is borne out for households in which all members are unemployed and those with lower levels of education (used as a proxy for income).

Table 3 **HCPI by location and socioeconomic traits**

	2021 % (a)	2022 % (b)	Δ (b) - (a)
I. Size of the town of residence of the household			
Over 100,000 inhabitants	3.37	7.37	4.00
Between 50,000 and 100,000 inhabitants	3.82	7.77	3.95
Between 20,000 and 50,000 inhabitants	4.14	8.44	4.30
Between 10,000 and 20,000 inhabitants	4.41	8.77	4.36
Less than 10,000 inhabitants	5.31	10.80	5.49
II. Household structure			
Single member > 65 years of age	4.09	8.50	4.41
- Urban areas	3.47	7.44	3.97
- Intermediate areas	3.93	8.17	4.24
- Rural areas	5.35	10.72	5.37
Couple with no children < 65 years of age	3.38	8.11	4.73
- Urban areas	2.99	7.41	4.42
- Intermediate areas	3.33	7.97	4.64
- Rural areas	4.12	9.49	5.37
Couple with 2 children < 16 years of age	3.18	7.90	4.72
- Urban areas	2.83	7.27	4.44
- Intermediate areas	3.23	7.82	4.59
- Rural areas	3.70	9.02	5.32
Single-parent family with one child < 16 years of age	3.13	7.29	4.16
- Urban areas	2.84	6.77	3.93
- Intermediate areas	3.22	7.23	4.01
- Rural areas	3.70	8.58	4.88
III. Socioeconomic situtation			
All household members employed	3.16	7.64	4.48
All household members unemployed	3.65	8.62	4.97
IV. Level of education of the main provider			
Illiterate	4.31	9.06	4.75
Primary education	3.78	8.47	4.69
Second level	3.36	7.84	4.48
240-credit degree	3.15	7.72	4.57
PhD	2.90	7.32	4.42

Source: Author's own elaboration based on INE data (2022, 2023a).

Notes

[1] This procedure coincides with the methodology used by the INE.

[2] The average value was 7,665 euros in 2021, equivalent to an average of 28% of total expenditure by households that own their homes; 88% of the SHBS households had imputed rent in 2021.

[3] According to the Institute for Energy Diversification and Savings (IDAE, 2011), heating accounts for 47% of spending on energy on average, while lighting and air conditioning represent 4% and 1%, respectively.

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Appendix

Table A1

Comparison of 2021 HCPI averages by size of the town of residence of the household

	1	2	3	4	5
1					
2	41.9***				
3	33.4***	-7.5***			
4	43.2***	1.7***	9.1***		
5	6.5***	-30.5***	-23.3***	-31.5***	

Student's t values.

*Notes: ***Confidence level of 99%; **Confidence level of 95%; *Confidence level of 90%.*

(1) Over 100,000 inhabitants; (2) between 50,000 and 100,000 inhabitants; (3) between 20,000 and 50,000 inhabitants; (4) between 10,000 and 20,000 inhabitants; and (5) under 10,000 inhabitants.

Source: Author's own elaboration based on INE data (2022, 2023a).

Table A2

Comparison of 2022 HCPI averages by size of the town of residence of the household

	1	2	3	4	5
1					
2	48.2***				
3	38.8***	-8.3***			
4	49.6***	1.9**	10.1***		
5	10.6***	-31.9***	24.2***	33.2***	

Student's t values.

*Notes: ***Confidence level of 99%; **Confidence level of 95%; *Confidence level of 90%.*

(1) Over 100,000 inhabitants; (2) between 50,000 and 100,000 inhabitants; (3) between 20,000 and 50,000 inhabitants; (4) between 10,000 and 20,000 inhabitants; and (5) under 10,000 inhabitants.

Source: Author's own elaboration based on INE data (2022, 2023a).

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FINANCIAL INSTABILITY

Episodes of financial instability: "Separating the wheat from the chaff"

The recent bouts of financial instability in the US and Europe (Credit Suisse) have raised concerns over the implications of monetary tightening underway. Although the European banking sector, including the Spanish banks, is proving generally more resilient than its US counterparts, the instability has had a pronounced adverse impact on most financial intermediaries and heightened concerns regarding potential spillovers from the shadow banking system.

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Abstract: The episodes of financial instability observed in the US and in Europe at Credit Suisse in March and the ensuing international contagion have given pause for thought about the implications of financial normalisation via monetary tightening underway. Although the European banking sector, including the Spanish banks, is proving generally more resilient, the bouts of instability had a pronounced adverse impact on most financial intermediaries. As for the Spanish banks, they continue to bolster their solvency while keeping non-performance low. Although it is hard to draw comparisons and the market environment is very volatile, an analysis of the 12-month returns in the various banking sectors one month on from the fall of SVB and Credit Suisse shows the Spanish banking sector outperforming the European and US averages. The chief challenge is for the US supervisor to convince the markets that it can reform its supervisory mandate quickly enough to prevent similar situations from occurring among its mid-size banks.

> Although Europe has been able to navigate the recent financial turbulence from a position of relatively greater financial strength, it is not, logically, immune from these episodes of contagion.

Meanwhile, most international analysts and institutions are flagging non-bank financial intermediaries, and the shadow banking ecosystem in general, as potential sources of instability worth monitoring.

Introduction: Episodes of financial instability and bailouts

The spring ushered in unexpected bouts of financial instability in the US and Europe (Credit Suisse) that have sowed doubts that will be hard to dispel. During times of economic or financial instability, the 'blame' gets shared around all those involved. The two most prominent cases and those that have caused the most trouble were Silicon Valley Bank (SVB) in the US and Credit Suisse in Switzerland. Although the latter was somewhat more predictable, the fall of SVB in the US has shone the spotlight on the supervision of small- and mid-sized banks in that country. Some blame the supervisor for failing to detect the problem sooner, with some also against light-touch regulation of those banks following measures introduced by the Trump administration in 2018. Although Europe has been able to navigate the recent financial turbulence from a position of relatively greater financial strength, it is not, logically, immune from these episodes of contagion.

Other causes identified include the accumulation of debt and its renegotiation during periods when rates were zero or negative, leaving scantly solvent companies struggling to survive now that rates have gone up. Moreover, the global economy is transitioning to a greener, more digital, and automated model and the current debate about artificial intelligence is as worrying as it is enthralling. The financial intermediation terrain faces tailwinds ("financial normalisation") and headwinds (possibility of contagion, economic slowdown).

The change of sentiment was also marked by the *Global Stability Report* put out by the International Monetary Fund (IMF), which naturally weighed in on the recent events. That document, published on 12 April, notes that "the sudden failures of Silicon Valley Bank and Signature Bank in the United States, and the loss of market confidence in Credit Suisse, a global systemically important bank (GSIB) in Europe, have been a powerful reminder of the challenges posed by the interaction between tighter monetary and financial conditions and the build-up in vulnerabilities". The IMF believes that "the forceful response by policymakers to stem systemic risks reduced market anxiety".

Table 1 provides the sequence of events around the fall of Silicon Valley Bank. That timeline shows how the bank's business and reporting systems were deficient, having failed to sufficiently cover market risk, prompting a run on its deposits. Ultimately, the Fed decided to cover all deposits, including those worth more than the limit for federal deposit insurance. By protecting liquidity, the contagion was

> By protecting liquidity, the Fed curbed contagion but questions remain about the capital adequacy of the country's small- and mid-sized banks.

Table 1 **Sequence of events at Silicon Valley Bank**

Date	Event
8 March	Silicon Valley Bank reports a loss of $1.8 billion and announces plans to sell shares to raise $2.25 billion. Moody's cuts its credit ratings on the bank’s deposits and issuer rating.
9 March	The shares of the parent company, SVB Financial Group, collapse at market opening. SVB customers start to withdraw their money.
10 March	Trading in SVB Financial Group's shares is suspended. The federal regulators announce plans to take control of the bank. SVB’s deposits are transferred to a newly created bridge bank to be operated by the FDIC.
12 March	The federal regulators announce emergency measures whereby customers can recover all their deposits, including amounts not insured. The Federal Reserve invokes a systemic risk exception to protect deposit holders.
17 March	SVB Financial Group files for bankruptcy.
26 March	First Citizens Bank buys all of Silicon Valley Bridge Bank. HSBC Holdings Plc buys Silicon Valley Bank’s UK subsidiary for GBP 1.
Impact	Most of the accounts had more than the limit of $250,000 in deposits which meant that most of the bank’s funds were not insured. Deposit holders received all their money, including the amounts that were not covered by federal deposit insurance. The banks’ investors did not get their money back.

Source: Authors’ own elaboration.

curbed but questions remain about the capital adequacy of the country’s small- and mid-sized banks.

The Credit Suisse case is a little more complex. The analyst community believes that its problems were the result of a series of factors, including risky investments, a lack of leadership or clear business strategy, customer lawsuits and regulatory and statutory problems. The auditors forced the bank to revisit its financial statements, identifying substantial “material weaknesses” in the bank’s internal controls and the market environment was ripe for a share price rout, ultimately forcing its absorption by UBS (Table 2).

The Swiss regulatory and supervisory responses point to an isolated case, so that the market’s concerns remain focused on the US response to the problems in its mid-sized banks. The US ultimately covered the uninsured deposits (those over the federal deposit insurance limit) of the two banks that failed and provided additional liquidity under a new Bank Term Funding Program approved by the Federal Reserve. In Switzerland, the Swiss National Bank provided emergency liquidity support to Credit Suisse, which was

“ The Swiss regulatory and supervisory responses point to an isolated case, so that the market’s concerns remain focused on the US response to the problems in its mid-sized banks. ”

Table 2 **Sequence of events at Credit Suisse**

Date	Event
January 2022	Alex Lehmann named Credit Suisse's new chairman on 17 January 2022.
July 2022	Ulrich Koerner announced as CEO as part of the bank's ongoing effort to surmount its difficulties.
October 2022	The Saudi National Bank buys 9.9% of Credit Suisse as part of a $4.2 billion capital raise, paying $1.5 billion for that stake. The value of that stake is currently estimated at $215 million.
9 March	Following a call from the SEC, Credit Suisse was obliged to double check its 2022 financial statements.
10 March	The fall of SVB exacerbates problems for Credit Suisse, whose shared corrected by 30%.
14 March	Credit Suisse says it had found "material weaknesses" in internal control over financial reporting system. The bank also reports a loss of CHP 7.3 billion.
15 March	One of its largest investors, Saudi National Bank, refuses to inject additional equity into the bank, citing regulatory and statutory problems. However, SNB reiterates its belief in Credit Suisse's turnaround story. Despite that affirmation, the shares correct by a further 24%.
15 March, evening	Credit Suisse announces it will borrow CHP 54 billion from Switzerland's central banks under a covered loan facility and a short-term liquidity facility.
19 March	UBS buys Credit Suisse for GBP 3.25 billion as part of a negotiated agreement. The Swiss National Bank offers UBS a liquidity assistance loan of CHP 100 billion, while the Swiss government extends a CHP 9 billion guarantee to cover potential losses on assets acquired by UBS. The acquisition is slated to close at the end of 2023.

Source: Authors' own elaboration.

later absorbed by Union Bank of Switzerland (UBS) as part of a state-endorsed acquisition. Nevertheless, as the IMF stresses in its report, "market sentiment remains fragile, and strains are still evident across a number of institutions and markets, as investors reassess the fundamental health of the financial system."

In parallel, the Federal Reserve is considering ending an exemption that allows certain mid-size banks to conceal losses on their security holdings. That initiative is being spearheaded by the Vice Chair for Supervision at the Fed, Michael Barr, and is expected to be passed in the coming days. Barr has said that the supervisors repeatedly identified risks at SVB from 2021 and even took measures to restrict its growth in 2022 because they went unaddressed. He called SVB's failure "a textbook case of mismanagement", citing its highly concentrated business model, excessively rapid growth, deficient interest rate risk management and reliance on uninsured deposits. Review of the supervisory model could lead to the reinforcement of the rules for banks with between USD 100 and 250 billion of assets.

One month after the events took place, on 21 April, the Financial Stability Oversight Council (an advisory board set up during President Obama's term in office) released bank regulation reform proposals for public comment. That body signalled the need to pass new rules to accelerate assessment of financial stability risks and facilitate the designation of non-bank institutions as

> “Despite the fact that the risks have come to light as a result of episodes of stress in the banking sector, the resilience of the global financial system will depend essentially on the performance of the non-bank financial intermediaries (NBFIs), which constitute what is known as the ‘shadow banking’ system.”

systemically important, subjecting them to Fed supervision. The Treasury Secretary, Janet Yellen, supports these reforms, saying that they eliminate certain “inappropriate hurdles” to supervising entities based on their activities and not their legal form of incorporation. The new rules would allow for ample engagement between regulators and a company under review. Hedge fund, mutual fund and portfolio managers would be included, evidencing the regulators’ concern that new episodes of financial instability could come from non-bank institutions. That is the prime outstanding concern and one that is shared by the IMF, other institutions, and multiple analysts. Despite the fact that the risks have come to light as a result of episodes of stress in the banking sector, the resilience of the global financial system will depend essentially on the performance of the non-bank financial intermediaries (NBFIs), which constitute what is known as the ‘shadow banking’ system.

The response in the eurozone and the situation in Spain

The first financial instability problems at SVB caught the European Central Bank a few days away from its March monetary policy decisions. It stuck with the expected agenda, stating that it believed that the problem did not apply to the eurozone, but admitted that the possibility of contagion warranted caution, noting that it would factor financial stability matters into its next monetary policy decisions. There was much anticipation around the remarks by the President of the ECB, Christine Lagarde, before the European Parliament’s Committee of Economic and Monetary Affairs on 20 March, where she said that the financial stability issues could have an impact on demand doing some of the work that monetary policy and interest rate increases would otherwise have had to do. As for Credit Suisse, Lagarde said that she believed the eurozone banks were resilient and their exposure to Credit Suisse, limited. She did warn, however, that the banks should prepare for slower economic growth, higher funding costs and lower lending volumes. Some sceptics believe that the ECB will be forced to choose between combatting inflation and preserving financial stability. However, the ECB believes that for the time being that issue is relative and under control.

The events coincided in the eurozone with publication by the ECB, on 18 April 2023, of the recommendations made by an independent group of experts around European bank supervision, specifically, the results of an external assessment of the Supervisory Review and Evaluation Process (SREP), which

> “Some sceptics believe that the ECB will be forced to choose between combatting inflation and preserving financial stability; however, the ECB believes that for the time being that issue is relative and under control.”

includes recommendations on how to make it more efficient and effective. The report finds that the organisation is now "sufficiently robust and mature to make processes leaner" if necessary. However, it recommends that the ECB focus on impactful qualitative measures to encourage banks to tackle weak business models and governance practices.

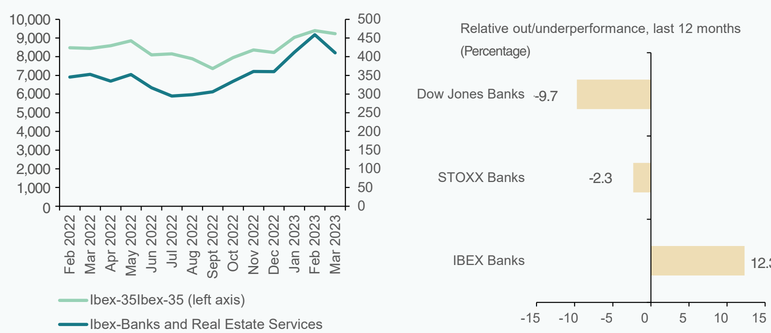
Turning to Spain, on 20 April, the Bank of Spain published its supervisory statistics for credit institutions for the fourth quarter of 2022, enabling an analysis of how the banks were placed right before the financial instability unfolding in 2023. Capitalisation of the credit institutions operating in Spain increased slightly in the fourth quarter of 2022. Their common equity tier 1 capital (CET1) averaged 13.23% (compared to 13.05% in 3Q). Their liquidity coverage ratio dipped to 178.45% but remained very significantly above the regulatory requirement (100%). Meanwhile, the banks' non-performing loan (NPL) ratio in Spain continued to come down, averaging 3.12% in the fourth quarter of 2022, which is nearly 50 basis points lower year-on-year. On the other hand, the ratio of stage-2 loans (under 'special monitoring' using Bank of Spain nomenclature) increased slightly, from 6.25% to 6.42%.

In April, the Bank of Spain also published its *Financial Stability Report*, in which it alluded to the international banking turbulence: "Since March 2023, the serious financial problems seen at Silicon Valley Bank (SVB), other medium-sized US banks and Credit Suisse have driven down bank stock prices." The Bank of Spain believes that this "increases the risk of higher financing costs and liquidity stress for the banking sector worldwide, including Spanish banks, and may have a negative impact on the favourable financial position with which they started out in 2023." The Spanish supervisor also shares the ECB's and IMF's view that the recent uptick in risk aversion in the financial markets has increased concern at the global level around vulnerabilities in the non-bank financial intermediary (NBFI) segment. It notes that in the past, "investment fund and other NBFI sectors have exhibited procyclical behaviour, exacerbating downward

Exhibit 1

Share price performance: Spanish banks relative to the general stock index and relative to other banking indices

Trailing 12-month returns (to 25 April 2023)



Sources: BME, Euro Stoxx, Banks of Spain and authors' own elaboration.

price corrections, and there are no signs that a different pattern would emerge if risk aversion were to continue or intensify. In Spain, investment funds have better liquidity positions which limit this risk. However, corrections in global financial markets, which may be triggered by the build-up of vulnerabilities in NBFI segments in other geographical areas, would still affect the Spanish financial system as a whole.”

Although it is hard to draw comparisons and the market environment is very volatile, an analysis of the 12-month returns for the various banking sectors one month on from the fall of SVB and Credit Suisse (Exhibit 1), shows the Spanish banking sector outperforming the European and US averages. Over that timeframe, the cumulative annual returns are -9.7% in the case of the Dow Jones Banks, -2.3% for the EURO Banks STOXX and +12.3% in the case of the Ibex Banks.

Conclusion: “Separating the wheat from the chaff”

In the wake of recent financial events, it is necessary to apportion responsibilities in order to avoid fresh episodes of instability. Businesses and the banks must assume their corporate responsibility and reporting duties; households need to tack stock of current events and improve their financial acumen so as to take smart saving and spending decisions; and governments need to be cautious and help educate about the need for economic and financial stability.

The role of the supervisor is essential as the situation remains fragile. At the time of finishing this article, in the US, another mid-size bank, First Republic Bank, was experiencing a run on its deposits, prompting a collapse in its share price, and leaving it in a delicate financial situation. The lessons learned from the episodes of March show that financial contagion is a significant international risk factor. They also suggest that it is time to clarify who is who, to “separate the wheat from the chaff”. That task will be particularly challenging in the US where considerable concern around the mid-size banks remains.

Overshadowing above all those issues is the problem – portended for years now – of how numerous companies and financial intermediaries will digest a process of financial normalisation involving interest rate increase over a short period of time. The analysis provided in this paper shows that this concern is particularly acute in the case of the non-bank financial intermediaries and the shadow banking system in general, which are more vulnerable to movements in interest rates and to market risks overall.

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Cost of deposits and Euribor: Why this time is different

Deposit beta pass-through appears to be slower this time around relative to previous episodes of monetary tightening. While understanding the rate of pass-through requires a holistic examination of banks' pricing strategies, ultimately competitive pressures will culminate in driving up deposit beta over time.

Marta Alberni, Ángel Berges and María Rodríguez

Abstract: More than one year after 12-month Euribor abandoned negative terrain, after rallying to levels not seen since before the financial crisis, the big dilemma facing the banks is at what pace and to what extent they should pass the increase in market rates on to their customers, embodied by the so-called 'beta' coefficient, by analogy with that used in the equity markets to measure share price sensitivity to the market index. So far, the percentage of the buildup in Euribor that gets passed through, or the deposit beta, in Spain is proving smaller than that being observed on the asset (lending) side of the business and in other European countries, drawing sharp attention from the media. Compared to past episodes of rate tightening in Spain, we are seeing a weaker/slower pass-through beta this time around, in particular in the case of term deposits. However, the loan pass-through beta is also lower by comparison with other periods on account of the intensity of the upward shift in the curve, the effect of rate repricing on the banks' portfolios and the relatively higher weight of fixed-rate loans at present. In any event, any analysis of the current situation requires taking stock of the banks' holistic pricing strategy as a function of their combined positioning in assets and liabilities, the make-up of their customer bases on both sides of the business and their transformation and capital cost structures.

> "The upward movement in Euribor in 2022 has been passed on very differently on either side of the customer business– the banks have been more aggressive increasing the cost of their loans than the rates offered on their deposits."

Nevertheless, sooner or later, competitive pressure is bound to drive an increase in the deposit beta.

Trend in Euribor and pass-through to the cost of assets and liabilities

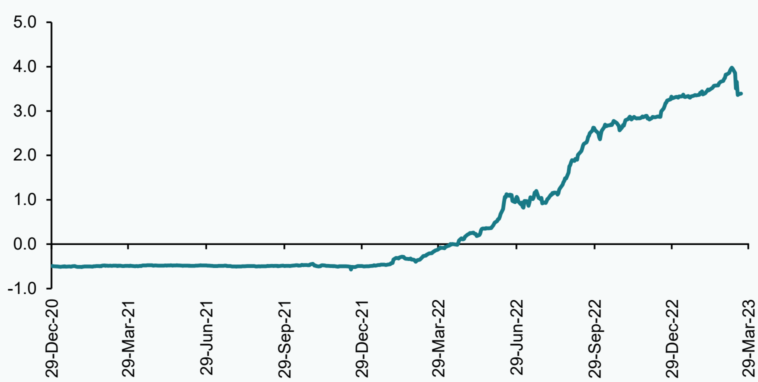
After more than five years trading at negative values, 12-month Euribor moved back into positive territory in early 2022, going on to climb significantly higher for the rest of last year and start of this year. That rally was truncated at the start of March due to the bouts of stress that overtook certain US banks and Credit Suisse, reminiscent of recent episodes of financial instability, forcing the central banks to intervene in a coordinated manner to supply liquidity and send clear messages regarding their willingness to ease or pause additional rate hikes.

The upward movement in Euribor in 2022 has been passed on very differently on either side of the customer business– the banks have been more aggressive increasing the cost of their loans than the rates offered on their deposits. Moreover, that asymmetry between lending and deposit rates is far more pronounced in Spain and Portugal than in the other three major European markets (Germany, France and Italy), as illustrated in Exhibits 2 and 3.

The banks' relative resistance to raising deposit rates in Spain and Portugal may be related with structural aspects in both countries, such as lower income levels, the existence of much smaller average deposit balances and less of a tradition in both countries of collecting fees and commissions for the provision of banking services, making deposits bigger contributors to their core revenues (NII + fee income).

Exhibit 1 **12m Euribor**

Percent

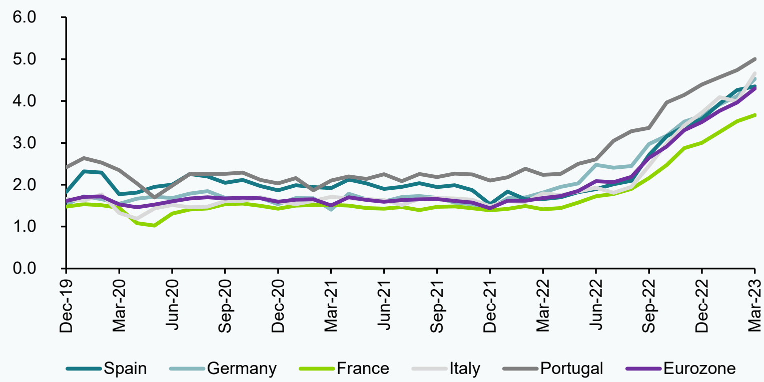


Source: Bloomberg.

Exhibit 2

Lending rates charged by country

Percentage



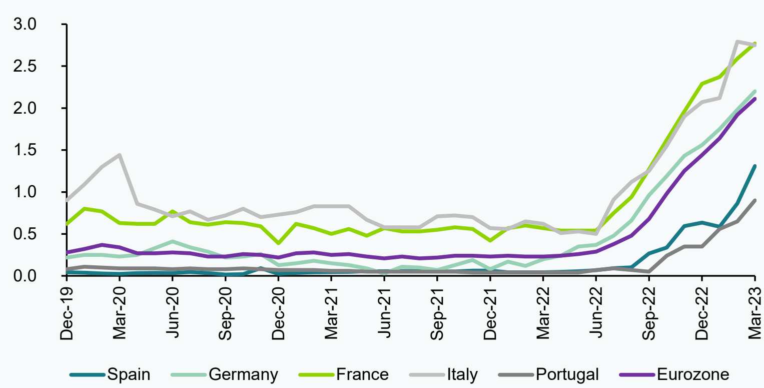
Sources: ECB and Bank of Spain.

Such pronounced and asymmetric differences in Spain are sparking media interest, fuelled further by the recent queues to buy Treasury bills in search of returns the banks have so far failed to provide. There is probably some correlation between that keenness to purchase Treasury bills offering an annual return of around 3% and the drop observed

Exhibit 3

Rates provided on term deposits by country

Percentage



Sources: ECB and Bank of Spain.

in bank deposits during the first few months of 2023, which was much more pronounced than in the same period of previous years.

That same search for returns in the absence of remuneration on deposits is likely behind the intense flow of capital into mutual funds since mid-2022, concentrated in fixed-income and guaranteed return funds. Net inflows into fixed-income funds in Spain to February 2023 were running at above €20 billion, with another almost €11 billion invested in guaranteed and targeted returns funds, marketed heavily by the banks themselves.

Asset and liability 'betas': Evidence from previous episodes of rate tightening

To address the banks' dilemma from an analytical standpoint, we estimate the response or fit (the beta coefficient of the regression) in the two most important segments of the retail business – home loans on the asset side and household term deposits on the liability side – to the change in the key benchmark rate, namely 12-month Euribor.

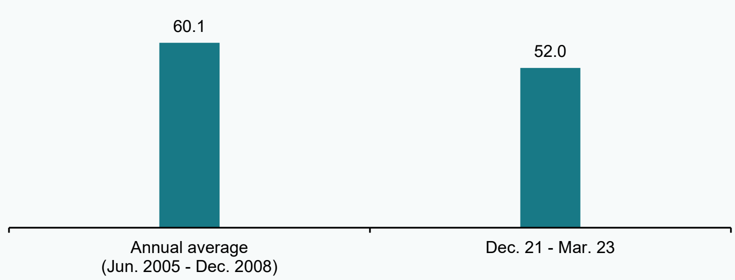
Compared to the evidence for the last period of interest rate tightening, between June 2005 and December 2008, it seems clear that on this occasion, the beta is proving weaker and/or slower, particularly in the case of term deposits. The loan pass-through beta is also lower by comparison with other periods on account of the intensity of the upward shift in the curve, the effect of rate repricing on the banks' portfolios and the relatively higher weight of fixed-rate loans at present.

At any rate, as illustrated in Exhibit 6, the time lag between asset and liability repricing when benchmark rates go up and down has been a constant throughout the years. As that exhibit shows, the movements in the cost of loans and deposits are fairly parallel, translating into significant retail banking margin stability. When rates are on the rise, considering that loan portfolios are repriced, on average, every 12 months, that pattern of parallel movements reflects the need to wait for credit returns to price in the rate increases before the banks pass the increase on in the form of deposit costs. Likewise, when rates are falling, as returns on lending activity come under pressure, the reduction

Exhibit 4

Beta on home loans*

Percentage

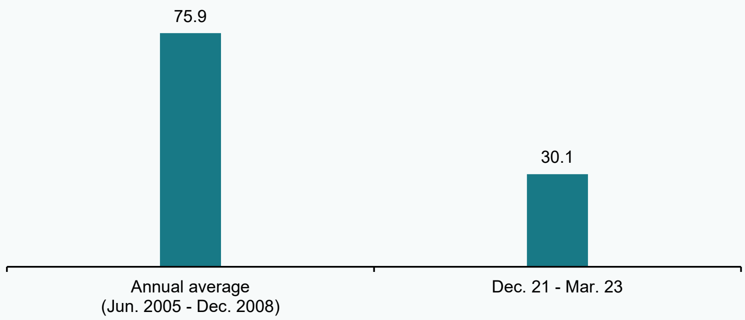


(*) *Beta calculated after new operations data.*
Sources: ECB and Bank of Spain.

Exhibit 5

Beta on term deposits – household segment*

Percentage



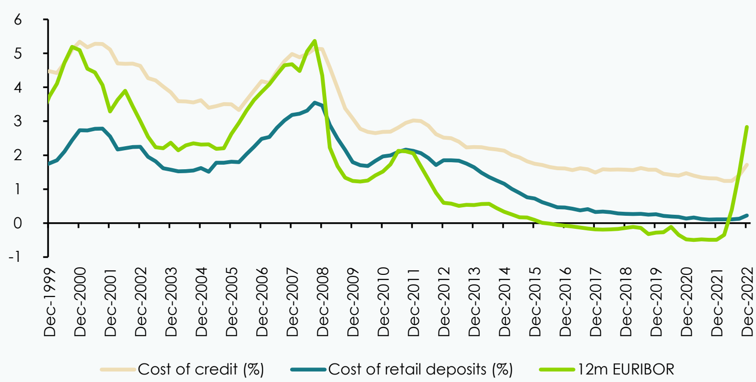
(*) Beta calculated after new operations data.
Sources: ECB and Bank of Spain.

in rates gets passed onto customer deposits in order to compensate for that loss of income. The movements therefore reflect how the banks manage their margins and competitive positioning throughout cycles of rate tightening and easing, except when liquidity problems come into play, as happened in 2012. In those circumstances, which are certainly

Exhibit 6

Cost of loans and retail deposits relative to 12m Euribor

Percentage



Sources: Bank of Spain and Bloomberg.

> Interest rate sensitivity is the first factor explaining the fact that so far the banks have hardly raised the rates paid on retail deposits, the Spanish entities' chief source of funding, as they are waiting for credit returns to fully price in the new interest rate paradigm.

not the case today, liquidity management takes priority over margin management, with the banks offering better returns to deposit holders at the expense of higher margins.

Asset and liability betas: Why this time is different

This phenomenon, which we could label interest income sensitivity to rate increases, is the first factor explaining the fact that so far the banks have hardly raised the rates paid on retail deposits, the Spanish entities' chief source of funding. They are waiting for credit returns to fully price in the new interest rate paradigm.

As for the factors that could be altering the traditional timing lag in deposit repricing, it is worth noting that the banks currently have far more liquidity than in the past in a context of weak demand for credit and still-high TLTRO III holdings. With respect to the latter, although the banks have repaid sizeable amounts of that interbank financing facility in recent months (the Spanish banks have repaid nearly 180 billion euros), they continue to hold 110 billion euros. A lot of that liquidity falls due mid-2023, three years after introduction of these targeted long-term refinancing operations, but some of the banks may not have to repay their holdings until well into 2024, depending on when they applied for the funds in the first place.

In addition to being awash with liquidity, the outlook for interest rates has been marked by volatility and uncertainty in recent months. Rates and the slope have increased sharply. However, as the ECB itself has reiterated over and over, there is a strong sense that tightening could prove transitory, as borne out by market expectations, with market rates correcting substantially in March when trouble hit certain banks in the US and Switzerland.

In a context such as this, with sight deposit volumes so high, faster pass-through of rate increases to term deposits could prove very harmful if the rate rally were to revert.

At any rate, that sizeable pool of sight deposits needs to be analysed together with the level of concentration at each entity, as that is key to determining the sensitivity of retail funding to rate increases. At banks whose sight deposits are less concentrated, it is likely that pressure from customers (transactional customers, above all) to earn more on their savings will be lower than at banks where those balances are concentrated among fewer customers, who could exert more pressure, making it harder for those banks to keep deposit rates low.

Elsewhere, it is reasonable to assume that households in lower income brackets will be motivated to earmark some of their deposits to prepayment of their loans. Indeed, that is why it is so important to manage liability and asset rates holistically in the household segment

> In a context as volatile and uncertainty as at present, with sight deposit volumes so high, faster pass-through of rate increases to term deposits could prove very harmful if the rate rally were to revert.

> "The banks have evidenced their willingness to renegotiate loan terms and conditions, renouncing some of their upside on the lending side of the business, in order to manage customer relationships and loyalty to the entity, preventing their departure in a market which remains competitive on the asset side."

given the pressure being felt by borrowers in the wake of rate increases, particularly by borrowers who are more financially vulnerable (measured as the relationship between their loan service costs and net disposable income) and/or economically vulnerable (individuals or businesses particularly exposed to sectors of the economy that are more vulnerable in the current climate), generating uncertainty around the future of loan performance in the sector.

Although many of the banks have adhered to the government's Code of Good Practices in mortgage lending, the number of mortgage holders applying for the relief it offers has been small. Nevertheless, irrespective of the workings of that Code, the banks have taken on board the concern manifested by the government in formulating it, evidencing their willingness to renegotiate loan terms and conditions, renouncing some of their upside on the lending side of the business, in order to manage another key factor, which is none other than the sensitivity of loan quality to interest rates, in order to manage customer relationships and loyalty to the entity, preventing their departure in a market which remains competitive on the asset side.

Other elements of the banks' income statements are sensitive to the new context of higher inflation and interest rates and likewise reduce their ability to pass rate increases through to deposit costs, in other words, earnings sensitivity to interest rates. Here it is worth highlighting the impact of inflation on transformation costs and the possibility that an increase in loan non-performance could translate into higher credit impairment losses. It is also worth highlighting potential adverse impacts on income statements at a time of rising costs of capital due to the increase in both the risk-free rate and the risk premium (on the back of the potential deterioration of asset quality).

In short, all these factors have helped make the banks particularly cautious to date in passing higher benchmark rates through to deposit costs. Some banks could consider using some of the slack around their low funding costs as a buffer for the provision of some servicing relief to vulnerable borrowers, so curbing any increase in non-performance.

That linkage between asset and liability rates is nuanced by differing levels of exposure to and composition of customers on both sides of the business from one entity to the next, such that the most appropriate response will be entity-specific. Nevertheless, sooner or later, competitive pressure is bound to drive an increase in the percentage of the buildup in Euribor that gets passed through to deposit rates (deposit beta).

> "Sooner or later, competitive pressure is bound to drive an increase in the percentage of the buildup in Euribor that gets passed through to deposit rates (deposit beta)."

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“PERTEs”: Level of execution and role in mobilising Next Generation EU funds

Under Next Generation EU (NGEU), the Strategic Projects for Economic Recovery and Transformation (PERTEs, in their Spanish acronym) were created to channel over 40 million euros in funds into areas identified as priorities for the modernisation and competitiveness of the national economy. However, numerous challenges have resulted in PERTE execution by the end of 2022 of around only 5.6 billion euros and going forward, it will be important to assess both ex-ante and post grant award initiatives to ensure maximizing the funds’ potential.

Ana Domínguez and Mariola Gomariz

Abstract: The Strategic Projects for Economic Recovery and Transformation (PERTEs) were created to channel the Next Generation EU (NGEU) funds into areas identified as priorities for the modernisation and competitiveness of the national economy. The idea is to channel over 40 billion euros of public investment into a dozen strategic areas. That is around one-quarter of all the funds Spain stands to receive under the Recovery and Resilience Facility. Despite having been created to allocate funds into areas of strategic importance for Spain’s economic advancement, PERTE execution has stumbled upon certain difficulties. By year end 2022, only around 5.6 billion euros had been committed (tenders and grants adjudicated), which is less than half of the funds channelled using this instrument. The key challenges to have emerged since approval of the first PERTE in July 2021 can be classified into three major categories:

> Spain stands to receive over 160 billion euros under the Recovery and Resilience Facility (RRF), the main Next Generation EU instrument.

(i) challenges associated with requirements specific to the grant calls; (ii) challenges linked to the regulatory environment; and, (iii) challenges derived from economic and market conditions. Going forward, in addition to ex-ante assessments performed prior to the publication of calls for PERTE grants, it will be important to monitor and evaluate the initiatives after adjudication to ensure European funds are channelled effectively and maximize their reach.

Role played by the PERTEs in channelling high volumes of European funds

The PERTEs are a recently-created public-private partnership instrument inspired by the Important Projects of Common European Interest (IPCEIs). They were set in motion to help channel investment of the Next Generation EU funds into areas of priority importance. For legal purposes, the PERTE concept was set down in Royal Decree-Law 36/2020 approving urgent measures for modernising government and executing Spain's Recovery, Transformation and Resilience Plan (hereinafter, the Recovery Plan).

Indeed, the Strategic Projects are designed to facilitate delivery of the Recovery Plan targets. Moreover, they are meant to make an important contribution to job creation and Spanish economic growth and competitiveness. They emphasise innovation, the involvement of SMEs and the development of new forms of collaboration among agents in order to bring broader know-how, experience and financial capabilities into play. The PERTEs must be ambitious in scope from the quantitative and qualitative standpoint (*e.g.*, by addressing a significant financial risk). That last point is important to rolling out efficient formulas for implementing the European funds.

It is worth recalling that Spain stands to receive over 160 billion euros under the Recovery and Resilience Facility (RRF), the main NGEU instrument. The scale of those funds, coupled with the funds due under the Multi-Annual Financial Framework (MFF), raises the stakes around the European fund absorption challenge. In fact, as of September 2020 (with three years to go to complete execution as per the n+3 principle), just 39% of the funds allocated under the European Structural Investment Funds for 2014-2020 had been channelled in Spain (Darvas, 2020). For that reason, the Strategic Projects are also intended to play a key role in addressing the European fund absorption challenge by taking advantage of the opportunity presented by the RRF to finance high-impact investments with the capacity to transform the Spanish economy.

The volume of public funds to be earmarked to the dozen PERTEs announced to date amounts to 40.94 billion euros [1]. That figure is equivalent to one-quarter of the NGEU funds Spain is expected to receive (under the original Recovery Plan as well as its pending Addendum).

The dozen PERTEs were articulated around strategic initiatives encompassing a series of sectors identified as conducive to making the Spanish economy more competitive. They are associated with industries with a significant weight in Spanish GDP, such as the automotive (development of electric and connected vehicles) and food industries. The shipping and aerospace industries have also been flagged as important for industrial autonomy purposes.

There are also PERTEs in areas closely linked with the green transition, covering renewable energies, the circular economy and industrial decarbonisation. Others are intrinsically entwined with the digital

> "The PERTE catalogue is remarkably heterogeneous in terms of size, budget allocations and mechanisms for channelling the funds (grants, loans, or tenders); however, its economic impact is expected to be high, taking into account its sectoral profile and the volume of public funds to be earmarked to the dozen PERTEs announced to date (40.94 billion euros)."

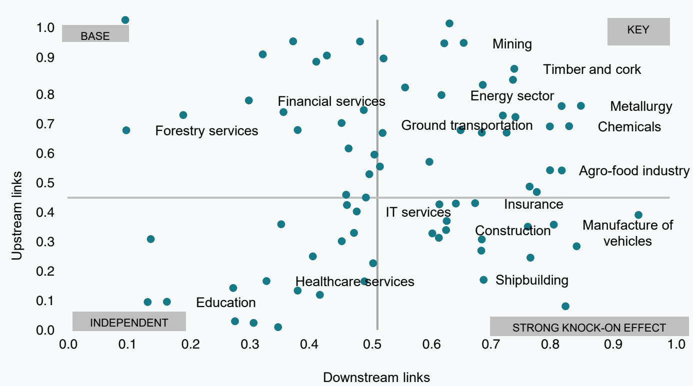
transformation thrust, such as the Strategic Project designed to foster content in Spanish and the 'co-official languages' in the digital economy, digitalisation of the water cycle and development of the microelectronics and chip industries. The PERTEs also cover areas with the potential to address major societal issues, including avant-garde healthcare and the social and care economy.

Several of the economic activities around which the Strategic Projects have been articulated have important knock-on effects on other sectors. For example, the manufacture of vehicles is considered a "strong knock-on effect" activity (as shown in quadrant 4 of Exhibit 1), specifically benefitting a number of links upstream in other supplier sectors. Others, such as the agro-food industry, are deemed "key" activities as they benefit a number of links in the upstream and downstream chains (quadrant 2 of Exhibit 1).

All of which translates into higher-impact public investing when the direct and indirect, or knock-on, effects on other activities supplying goods and services to the primary recipients are added together.

Exhibit 1

Classification of the areas of activity by their upstream and downstream knock-on effects for the Spanish economy



Source: INE, AFI.

Table 1 **Approved PERTEs and associated public investment commitments**

Announced PERTEs	Allocation (millions of euros)
PERTE for the development of electric and connected vehicles	4,295
PERTE for avant-garde healthcare	1,650
Renewable energy, renewable hydrogen, and energy storage PERTE	10,475
Agro-food PERTE	1,450
New language economy PERTE	1,100
Circular economy PERTE	792
Shipbuilding industry PERTE	310
Aerospace PERTE	923
Water cycle digitalisation PERTE	2,790
Microelectronics and chip PERTE	12,250
Social and care economy PERTE	1,808
Industrial decarbonisation PERTE	3,100
Total	*40,943*

Note: PERTEs ordered by their approval dates.
Source: Authors' own elaboration based on government data.

Overall, the PERTE catalogue is remarkably heterogeneous in terms of size, budget allocations (refer to Table 1) and mechanisms for channelling the funds (grant, loan or tender). Moreover, some of the Strategic Projects are associated with standalone projects while others cover integrated initiatives encompassing several projects with a common objective (integrated value chain initiatives).

Level of PERTE execution and key challenges identified

Despite having been created to channel funds into areas of strategic importance for Spain's economic advancement, PERTE execution has stumbled upon certain difficulties. By year end 2022, only around 5.6 billion euros had been committed (tenders and grants adjudicated), which is less than half of the funds channelled using this instrument. Although there is heterogeneity in the degree of execution of each PERTE (refer to Table 2), even those that enjoy a higher degree of execution (in terms of percentage of resources committed to the total allocation of the PERTE) have shown difficulties.

The first call for grants for end-to-end initiatives in the electric and connected

> "By year end 2022, only around 5.6 billion euros had been committed (tenders and grants adjudicated), which is less than half of the funds channelled through the PERTEs."

Table 2 **Level of PERTEs execution**

Millions of euros

Announced PERTEs	Channelled	Committed	Executed (% committed to total allocation)
PERTE for the development of electric and connected vehicles	2,018	1,304	30
PERTE for avant-garde health-care	912	652	40
Renewable energy, renewable hydrogen, and energy storage PERTE	4,957	693	7
Agro-food PERTE	1,063	219	15
New language economy PERTE	298	298	27
Circular economy PERTE	192	0	0
Shipbuilding industry PERTE	250	33	11
Aerospace PERTE	n/a	n/a	n/a
Water cycle digitalisation PERTE	425	125	4
Microelectronics and chip PERTE	0	0	0
Social and care economy PERTE	380	218	12
Industrial decarbonisation PERTE	0	0	0

Note: Data as of December 14th, 2022.
Source: Authors' own elaboration based on government data.

vehicle industrial chain was symptomatic of the issues encountered in implementing the Strategic Projects. Of the 2.98 billion euros contemplated for that call, over 2.1 billion euros went unallocated [2].

The key challenges to have emerged since approval of the first PERTE in July 2021 can be classified into three major categories: (i) challenges associated with requirements specific to the grant calls; (ii) challenges linked to the regulatory environment; and, (iii) challenges derived from the economic and markets situation.

In the first category, related with calls for grants requirements, it is worth highlighting the difficulty in configuring groups made up of multiple companies and entities, with a significant SME presence, as well as other specific agents (technology or know-how providers). Those groups have to present projects that qualify as "levers", which are in turn made up of other primary projects to be executed by the various members of the group. Moreover, the projects need to have a geographic reach that includes two or more autonomous regions.

It is certainly proving hard to meet those demands in a business environment and culture marked by individualism and in specific sectors in which the supply chain is particularly concentrated and/or of a nature that makes it hard to form such groupings. Moreover, it takes time to put these collaborative business structures – economic interest groups – together properly and plan the distribution of tasks. Time not contemplated in many of the NGEU grant calls.

> “Given the challenges related to the project execution timeframe, which must be aligned with the schedule of targets set down in the Recovery Plan and, more generally, in the RRF rules, institutional representatives are already contemplating extending execution deadlines in order to draw more participants to future PERTE calls.”

As a result, the deadline for presenting bids has had to be extended for a number of PERTE calls (*e.g.*, the deadline for presenting bids for the first calls linked with the EV value chain had to be extended as many as three times, delays which also occurred in the agro-food and shipbuilding calls). In parallel, the conditions required of these groupings have been made somewhat more flexible. For example, in the case of the agro-food PERTE, the requirement was eased from groupings made up of at least one large enterprise and three SMEs to allow four SMEs to bid (so long as two qualify as medium-sized enterprises). And to help them meet the geographic reach requirement of at least two autonomous regions, the groupings have been allowed to include outsourced activities in the eligibility calculation. Likewise, when meeting the requirement that 30% of the grants affect SMEs, the first electric and connective vehicle PERTE call was amended to allow subcontracted SMEs execute part of the projects (indirect impact).

Another constraint on participation, especially for SMEs, relates to the size of the guarantees which need to be posted. This was flagged as one of the barriers to the success of the first electric and connected vehicle grant call. However, in later calls, such as the agro-food PERTE, the guarantees required were lowered and the several liability required of the group members was eased.

Turning to the challenges associated with the regulatory framework, one worth mentioning is the project execution timeframe, which must be aligned with the schedule of milestones and targets set down in the Recovery Plan and, more generally, in the RRF rules. That means that all initiatives must be complete by year-end 2026 at the latest. However, that time horizon looks short in light of the significant volume of funds to be put to work and the scale and complexity of some of the proposals eligible for financing under the Strategic Projects. In fact, institutional sources are already contemplating extending execution deadlines to 2027 or 2028 in order to draw more participants to future PERTE calls. That will not be an easy task, however, as it would require modifying the own resources decision so as to authorise the European Commission to issue new debt to finance the RRF. The modification would have to be adopted by the Council unanimously and approved by all EU member states.

Elsewhere, another NGEU fund management requirement is respect for the Do No Significant Harm (DNSH) principle. That requires substantiating the fact that the initiatives financed make a positive contribution to the EU’s climate change targets. That requirement applies to the authorities (as manager of the funds) and the beneficiaries (as recipients) and is based on a self-assessment that has to be validated by a third party certified by Spain’s national certification body, ENAC (or an analogous entity of another EU member state). As a result, the technical requirements, coupled with a lack of specialist means and resources, can cause bottlenecks. Note that mere compliance with prevailing environmental legislation is not sufficient to comply with the DNSH principle (Vicente, 2023). In reality, some companies have encountered difficulties in presenting DNSH compliance

> “Challenges related to the economic situation, such as the scarcity of specific highly skilled labour, as well as the actual high level of uncertainty impacting corporate investment plans, could reduce the Plans’ impact.”

certification issued by a certified body for some of the calls for which it has been required.

In other calls it has sufficed to present an affidavit in order to apply for the grants but that does not solve the issue. It simply delays when the certification has to be presented and in the event compliance cannot be certified the breach would affect the companies (who would have to reimburse any funds received upfront), other entities co-financing the projects and the timely execution of the NGEU funds.

Lastly, there are certain challenges derived from the economic situation and markets. For example, the job market (on the supply side) needs to be able to supply the talent needed to carry out innovative projects in new segments of the economy being targeted by the PERTEs in order to contribute to the dual digital and green transition thrusts. The scarcity of highly skilled labour could reduce the Plans’ impact (Bank of Spain, 2022).

Market and sector structures in which small-sized companies predominate also cause friction in the absorption of the funds earmarked to the Strategic Projects. Smaller firms have more limited resources with which to identify the opportunities derived from implementation of the PERTEs and to deal with the red tape and other technical requirements involved in applying for the grants and subsequently monitoring and reporting on execution of the projects funded.

This category of challenges includes the impact of the economic climate. The supply chain friction caused by the COVID-19 pandemic and later exacerbated by the war in Ukraine, rampant inflation and the interest rate tightening embarked on to curb the latter are some of the aspects creating uncertainty and tension around corporate investment plans. These issues could constrain the scope and timing of execution of certain business projects, that could be eligible for grants under the Strategic Projects, and that need complementary funding.

Lessons learned and guidance for boosting the PERTEs’ impact

Having identified the main PERTE execution challenges being encountered, it is easier to pinpoint ways to better channel the NGEU funds, both those pending implementation as per the existing Recovery Plan and those contemplated in the Plan Addendum [3]. The latter will clearly be geared at reinforcing the Strategic Projects which are expected to be bolstered by 7.7 billion euros of non-repayable grants and over 18.6 billion euros of loans.

In order to involve a bigger number of SMEs in execution of the PERTEs, it is necessary to simplify the processes and facilitate compliance with the requirements for qualifying for the grants. It would be good to make greater use of digital technology to: (i) alleviate some of the red tape; and, (ii) unlock synergies across the initiatives undertaken by different agents in the sector value chains (public and private). It should be made possible to find those synergies without having to create overly complex structures from the standpoint of governance and project management.

Moreover, in order to ensure effective use of the European funds, mechanisms are needed to let the companies prepare to participate in future calls. Initiatives that provide information about the NGEU funds, present case studies and other practical information,

> Amendment of the State aid scheme is expected to pave the way for increased intensity in some forms of aid and broaden the provision of state aid in the areas of environmental protection, energy, green hydrogen, decarbonisation projects, energy efficiency and support for green mobility.

engaging different socio-economic agents that form part of the SME ecosystem, are key in that respect.

In addition, given that most of the calls for grants take the form of competitive tenders in which the best projects are selected from those that pass certain assessment criteria, SMEs would stand to benefit greatly from expert advice on the process. Such advice could be valuable during the grant application phase but also during execution of the beneficiary projects when reports and certifications have to be provided, including, for example, certification of respect for the DNSH principle.

Elsewhere, in terms of eligible areas and aid intensity and the idea of making future PERTE calls more attractive, it is important to consider the amendments, soon to take effect, of the EU's State aid general block exemption Regulation and the Temporary Crisis Framework (European Commission, 2023). Those amendments will permit the inclusion of new costs that are compatible with the projects and increase maximum aid intensity. Moreover, amendment of the State aid scheme is expected to pave the way for increased intensity in some forms of aid (categories of aid exempt from prior notification to the Commission) and broaden the provision of state aid in the areas of environmental protection, energy, green hydrogen, decarbonisation projects, energy efficiency and support for green mobility. It will also raise the thresholds above which the member states are required to apply to the European Commission for authorisation in the areas of environmental and research project aid.

Lastly, in addition to the ex-ante assessments performed prior to publication of the Strategic Project grant calls, it is important to monitor and evaluate the initiatives after adjudication. That will make it possible to fine-tune where the public aid is targeted, validate the instrument's (PERTE) fit for purpose and take future economic policy decisions that maximise the impact of the funds devoted to modernising the Spanish economy and making it more competitive.

Notes

[1] Amount of funds set down in the third Recovery Plan Execution Report presented by the Spanish government in February 2023, which includes the additional PERTE endowment contemplated in the draft Addendum to the Recovery Plan, published in December 2022.

[2] The first call for grants for end-to-end initiatives in the electric and connected vehicle was published with an endowment of 2,975 million euros. However, only ten projects involving public aid of 793.72 million euros were approved, leaving more than 2,100 million unexecuted. That call for aid is the largest, but there are other aid programs under the PERTE for the development of electric and connected vehicles (*i.e.*, MOVES III, PTAS, Moves Singulares II), as reflected in the amounts of the mobilized and committed resources, under the PERTE shown in Table 2.

[3] The Spanish government still had to present its Addendum to the Recovery Plan to the European Commission at the time of writing this paper.

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Household and non-financial corporate accounts for 2022

Statistical revisions have confirmed initial assumptions over the impact of the pandemic on household and corporate accounts. In the case of households, their favourable performance in light of the pandemic was even better than originally anticipated, while in the case of corporates, not only did they bear the brunt of pandemic economic fallout, but their performance was indeed worse than anticipated.

María Jesús Fernández

Abstract: The pandemic has had a relatively limited impact on the aggregate level of household finances in Spain with the sector's GDI recovering to 2019 levels by 2021. The household sector also set aside a significant savings buffer, which following official statistics revisions, turned out to be even higher than initially estimated at 137 billion *versus* 94 billion euros. In the case of the corporate sector, revised figures show that the negative impact of the pandemic on corporate income was actually stronger than originally anticipated. Indeed, between 2020 and 2021, the non-financial corporations generated a net lending position of 12.2 billion euros, instead of the initially reported surplus of close to 78 billion euros. As a result, the original conclusion drawn that the household sector's accounts had held up remarkably well in 2020-2021, in contrast to the impairment sustained by the business sector, not only remains valid, but rather the contrast between the two sectors' performances is starker than originally thought. In 2022, however, the corporate sector's finances fared better than those of the household sector, fully recovering from the hit taken in 2020. Nevertheless, corporate profits (after tax) have increased by less compared to pre-pandemic levels than household income (+1.4% *vs.* +4.7%), partly due to lower growth in their pre-tax income and partly due to the relatively bigger

increase in the effective tax rate sustained by the corporate sector- a major topic of debate at present.

Introduction

2022 was the first full year without pandemic-related restrictions. Although tourism recovered sharply, the onset of an energy crisis as a result of the war in Ukraine further fuelled the inflationary pressures that emerged in 2021, prompting monetary policy tightening. Against that backdrop, Spanish GDP registered growth of 5.5%, extending its recovery after the sharp contraction of 2020, albeit without revisiting 2019 levels in real terms. In the job market, the trend in the number of people in work (and social security contributors), which continued to register strong momentum, rising above pre-pandemic levels, contrasted with that in the number of hours work, which continued to trail that benchmark.

Growth in employment was the main driver of household income

Before analysing the household sector's accounts in 2022, it is important to note that the figures for 2020 and 2021, analysed by Fernández (2022), have sustained considerable corrections with respect to the numbers originally published by Spain's Official Statistics Office (INE), considerably changing some of the conclusions drawn at the time. Specifically, gross disposable income (GDI) in the household sector recovered more intensely than initially estimated (already topping pre-pandemic levels in nominal terms in 2021), and the savings generated were higher than first reported, as were, by extension, the surplus savings accumulated between 2020 and 2021: 137 billion euros *versus* an initially estimated 94 billion euros. Note, however, that the rampant inflation of the last two years has eroded that pool of savings by around 10% in real terms. On the other hand, the 2021 gross fixed capital formation (GFCF) figure was revised significantly downwards. As a result, the conclusion reached at the time on the basis of the figures at hand that all of the savings accumulated in 2021 went to investments no longer holds. In fact, only a small percentage of those surplus savings was invested. As a result, the households sector's net lending position was also substantially higher than initially indicated (64 billion euros higher over the two years). That surplus was used to purchase financial assets but not to repay debt, which increased for the first time in 12 years.

Turning to 2022 (Table 1), the employee compensation earned by Spanish households increased by 6.5% thanks to growth in employment and, to a lesser degree, growth in average compensation per wage-earner. Property income received by housholds increased by 27.2%, fuelled by the recovery in dividends collected, which did not revisit the record level of 2019 but were higher than in previous years. Household interest income (before the allocation of FISIM) decreased by 14%. Lastly, social benefits collected decreased by 0.8% due to the elimination of most of the aid related with COVID-19.

Taxes paid on income and property increased by 16.4%, which is well above the growth in pre-tax income (measured in national accounting terms), implying a significant increase in the effective tax rate. Social security contributions increased in line with the growth in the related tax base. In 2020, contributions decoupled from the growth in wages (which fell as a result of the pandemic while social security payments by households increased slightly) due to specific measures taken at the time, mainly subsidisation of the contributions due for workers put on furlough. In 2022, however, with those measures virtually all eliminated, the effective rate implied by social security contributions over wage compensation was considerably higher than in the years before the pandemic.

As a result of all these factors, household GDI increased by 3.6% in 2022 to 4.7% above 2019 levels, the lowest nominal rate of growth among the European countries for which these figures are available. Household consumption, meanwhile, increased by 11.5%, which is higher than in 2019 in nominal terms but still lower in real terms. The fact the nominal spending outpaced disposable income drove a reduction in gross savings

Table 1 **Non-financial accounts - households and NPISHs**

Millions of euros

	2019	2020	2021	2022	2022 *vs.* 2021 (%)	2022 *vs.* 2019 (%)
Employee compensation received	581,867	557,979	588,104	626,370	6.5	7.6
Household gross operating surplus and mixed income	212,694	193,422	206,039	217,857	5.7	2.4
Social benefits received	215,561	248,569	248,732	246,823	-0.8	14.5
Property income received	51,909	43,308	43,370	55,170	27.2	6.3
Current transfers received	81,891	82,643	96,470	99,779	3.4	21.8
Total income received	1,143,922	1,125,921	1,182,715	1,245,999	5.4	8.9
Property income paid	5,451	4,170	3,680	7,534	104.7	38.2
Social benefits paid	173,380	174,358	184,192	193,496	5.1	11.6
Current transfers paid	78,030	76,472	91,696	94,937	3.5	21.7
Income and property tax	106,149	105,250	113,829	132,496	16.4	24.8
Gross disposable income	780,912	765,671	789,318	817,536	3.6	4.7
Nominal consumption	714,535	627,300	678,755	756,862	11.5	5.9
Gross savings (plus net capital transfers)	62,718	134,734	109,792	57,538	-47.6	-8.3
Gross capital formation	43,423	40,761	52,156	59,291	13.7	36.5
Net lending (+) /borrowing (-) position	19,295	93,973	57,636	-1,753	–	–
Memorandum item:						
Household borrowings	707,545	700,386	704,211	702,788	-0.2	-0.7
As a % of GDI	90.6	91.5	89.2	86.0	–	–

Sources: INE and Bank of Spain.

to 58.46 billion euros, just over half of the year-earlier figure, as was expected given that the 2021 figure was abnormally high due to the pandemic-related restrictions that persisted for much of the year. The savings generated in 2022 were equivalent to 7.2% of GDI, which is a little higher than the 2014-2019 average of 6.8%. Spanish households –as a whole– were therefore able maintain their healthy saving rate (even saving a little more than before the pandemic) despite high inflation, thanks largely to the growth in employment (the key

> “In 2022, the fact the nominal spending outpaced disposable income drove a reduction in gross savings to 58.46 billion euros, just over half of the year-earlier figure, as was expected given that the 2021 figure was abnormally high due to the pandemic-related restrictions that persisted for much of the year.”

> As a percentage of their GDI, in 2022, household borrowings fell to 86%, the lowest reading since 2002 and also below the eurozone average.

driver of the growth in income), at the cost of a full recovery in consumption in real terms. At any rate a saving rate of 7.2%, only slightly above pre-pandemic levels, no longer denotes surplus savings on top of the buffer built up in the two previous years.

Having increased in 2021, GFCF increased further in 2022, to 59.29 billion euros, which is higher than the savings figure, so that the household sector generated a small net borrowing requirement of 1.75 billion euros. Ideally, the household sector should generate a net lending position, but so long as the deficit is one-off and small in scale, it is not a concern in terms the build-up of potential imbalance. Moreover, it is important to consider the surplus savings accumulated in prior years. In fact, despite the deficit, the household sector deleveraged, having increased their borrowings the year before. As a percentage of their GDI, household borrowings fell to 86%, the lowest reading since 2002 and also below the eurozone average.

The volume of investments by households in 2021 and 2022 was higher than the figures reported prior to the pandemic but that increase in investing activity by comparison with previous levels only represents, on aggregate, 23% of the surplus savings generated in 2020 and 2021. The bulk of those savings was therefore channelled into financial assets.

Corporate earnings recovered from the pandemic in 2022

The non-financial corporations' financial statements for 2020 and 2021 have also undergone considerable corrections: the drop in gross operating surplus (GOS) in 2020 was higher than initially estimated and the recovery in 2021, weaker. That, coupled with different trends in other components of these enterprises' gross disposable income, means that their aggregate GDI for the two years was actually 61.5 billion euros lower than commented on in Fernández (2022). Between 2020 and 2021, the non-financial corporations generated a net lending position of 12.2 billion euros, instead of the initially reported surplus of close to 78 billion euros. As a result, the conclusion drawn at the time that the household sector's accounts had held up remarkably well in 2020-2021, in contrast to the impairment sustained by the business sector, not only remains valid, but rather the contrast between the two sectors' performances is starker than originally thought. Indeed, household GDI in 2021 was 1.1% higher than in 2019 (and not 2.8% lower), while corporate profits after taxes (to make the figures comparable with household GDI, in both cases using national accounting figures), were 19.5% below that threshold (and not 14.2% lower).

Turning to 2022 (Table 2), the sector's GOS increased a sharp 24.3% to rise 6.7% above pre-pandemic levels, one of the lowest gaps with respect to 2019 levels in Europe, with

> Indeed, household GDI in 2021 was 1.1% higher than in 2019 (and not 2.8% lower), while corporate profits after taxes were 19.5% below that threshold (and not 14.2% lower).

> “Turning to 2022, the Spanish corporate sector’s GOS increased a sharp 24.3% to rise 6.7% above pre-pandemic levels, one of the lowest gaps with respect to 2019 levels in Europe, with only France lagging further behind.”

only France lagging further behind. The non-financial corporations’ gross profit ratio (GOS over gross value added, GVA) was 42.2%, which is slightly higher than in 2019, but lower than the ratio observed every year between 2012 and 2018. It is worth highlighting the sharp increase recorded in the fourth quarter, which is when the bulk of that growth was concentrated. As for net property income, interest payments increased considerably while interest income fell, albeit offset by growth in other sources of income, including dividends. Corporate profits, *i.e.,* entrepreneurial income before the payment of dividends and taxes, increased by 24.4%, thus recovering last year from the contraction sustained at the onset of the health crisis.

Table 2 **Non-financial accounts - non-financial corporations**

Millions of euros

	2019	2020	2021	2022	2022 *vs.* 2021 (%)	2022 *vs.* 2019 (%)
Gross value added	655,976	564,380	610,687	696,672	14.1	6.2
Compensation of employees	378,512	354,325	374,389	402,228	7.4	6.3
Gross operating surplus	275,683	214,168	236,638	294,087	24.3	6.7
Interest, dividend and other income received	51,896	43,550	38,818	52,230	34.6	0.6
Interest paid	11,408	9,590	8,662	14,356	65.7	25.8
Entrepreneurial income	316,171	248,128	266,794	331,961	24.4	5.0
Income tax paid	18,508	16,974	22,861	28,467	24.5	53.8
Other net income	-10,103	-10,065	-12,325	-12,003	–	–
Entrepreneurial income after tax	287,560	221,089	231,608	291,491	25.9	1.4
Dividends paid	84,754	72,453	68,475	82,381	20.3	-2.8
Gross disposable income	202,806	148,636	163,133	209,110	28.2	3.1
Gross capital formation	186,211	150,123	161,245	171,396	6.3	-8.0
Capital transfers, net	2,764	4,101	7,698	7,629	-0.9	176.0
Net lending (+) /borrowing (-) position	19,359	2,614	9,586	45,343	373.0	134.2
Memorandum item:						
Consolidated debt of non-financial corporations	903,111	955,130	978,136	957,626	-2.1	6.0
As a % of GDP	72.5	85.4	81.0	72.2	–	–

Sources: INE and Bank of Spain.

> Note that the remarkable increase in tax collection in the last two years, which has jumped from 35.2% of GDP in 2019 to 38.4% in 2022, and the possible explanatory factors, are a major topic of debate at present.

Corporate income tax payments increased very much in line with their profits. Unlike what happened in the household sector, where the effective tax rate increased in 2022, in the business sector it was in 2021 when tax payments increased by proportionately more than profits, driving the effective rate to well above pre-pandemic levels, where it stayed in 2022. Note that the remarkable increase in tax collection in the last two years, which has jumped from 35.2% of GDP in 2019 to 38.4% in 2022, and the possible explanatory factors, are a major topic of debate at present (García-Miralles and Martínez Pagés, 2023; Government of Spain, 2023). The substantial increase in the effective tax rate paid by Spanish corporations means that although their GOS was 6.7% higher in 2022 than in 2019, their after-tax profits (before dividend payments) were only 1.4% higher.

The non-financial corporations' gross disposable income, measured as their profits after the payment of tax and dividends, which is equivalent to their savings, increased by more than their GFCF, giving rise to a net lending position of 45.34 billion euros, significantly above the 2021 surplus of 9.59 billion euros. Note that the significant growth in capital transfers received compared to long-run levels may be related with the receipt of the NGEU funds.

Some of that net lending position was used by the corporations to repay debt, following nominal growth in borrowings during the previous three years, especially in 2020. However, nominal borrowings at year-end 2022 remained higher than at year-end 2019. Relative to GDP, on the other hand, the non-financial corporations' consolidated debt fell to the lowest level since 2003, at 72.2%.

Conclusions

As noted at the time, the pandemic had a relatively limited impact on household finances in Spain (on aggregate), with the sector's GDI recovering to 2019 levels by 2021. The household sector also set aside a significant savings buffer, which following official statistics revisions, turned out to be even higher than initially estimated. It was corporate income that bore the brunt of the economic fallout from the pandemic. In light of the revised figures, that impact was higher than initially calculated.

In 2022, however, the corporate sector's finances fared better than those of the household sector, fully recovering from the hit taken in 2020 (Exhibit 1). Nevertheless, corporate profits (after tax) have increased by less compared to pre-pandemic levels than household income (+1.4% *vs.* +4.7%), partly due to lower growth in their respective pre-tax income and partly due to the relatively bigger increase in the effective tax rate sustained by the corporate sector. Note, lastly, that the growth figures are always cited in nominal terms. Both sectors' purchasing power, however, remains below pre-pandemic levels.

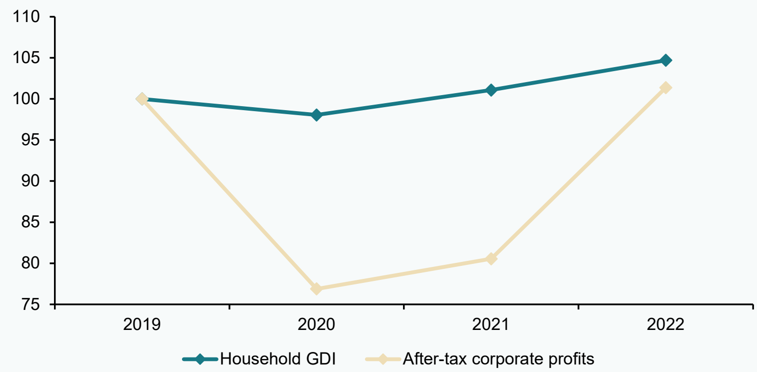
> Relative to GDP, on the other hand, the non-financial corporations' consolidated debt fell to the lowest level since 2003, at 72.2%.

> "Despite differences in leverage ratios, the narrow divergence in credit spreads across regions is no doubt influenced by the existence of a state guarantee."

Exhibit 1

Household gross disposable income and after-tax profits of non-financial corporations

Nominal volumes, rebased: 2019 = 100



Source: Author's own elaboration based on INE data.

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Tightening bank financing terms and conditions: Current situation and implications

Increasing interest rates across the eurozone are restricting access to bank loans, while at the same time leaving households and businesses with outstanding credit in a more vulnerable position. Fortunately, in the case of Spain, both businesses and households are in a stronger position to face these challenges given the significant private sector deleveraging effort that has taken place in the wake of the previous financial crisis.

Joaquín Maudos

Abstract: Access to bank loans has become tougher in recent months primarily as a result of the increase in interest rates. Borrowing rates have risen due to a combination of factors: central bank rate hikes; perceptions of increase in risk; an increase in the banks' aversion to lend; the prospect of an economic slowdown; and the recent bout of financial instability. That said, since January 2021, when 12-month Euribor hit a record low, Spanish banks' lending rates have increased by less than in the eurozone on the whole. Specifically, however, while corporate lending rates in Spain are lower than the eurozone average, mortgage and consumer lending rates are higher. The rate of growth in new lending activity has slowed, with business lending outpacing household lending by a wide margin. The growth in interest rates is leaving businesses and households poorer. Considering that in 2022, businesses earmarked 6.9% of their gross disposable income to the payment of 14.36 billion euros of interest, with households spending

0.8% (6.44 billion euros), an increase of 2 percentage points in borrowing costs in 2023 would increase the two segments' interest burden by a combined 33 billion euros. The good news is that both the business and household segments are better positioned to tackle the increase in borrowing costs than in the past thanks to significant deleveraging: the ratio of private debt-to-GDP decreased by 23pp between 2020 and 2022.

Introduction

The years of low inflation and low rates are a thing of the past since a combination of supply and demand shocks set off a period of high inflation that has forced the central banks to abandon their monetary accommodation and raise rates. In the eurozone, the ECB's rate of interest on main refinancing operations, which was left at 0% for more than six years (from March 2016 to July 2022), has been raised seven times to stand at 3.75% as of 4 May 2023. The benchmark interest rate most widely used to price bank loans, 12-month Euribor, entered negative territory in February 2016, where it remained until 2022, since when that market rate has rallied to 3.757% (as of April). As a result, it is back to trading at November 2008 levels. In other words, Euribor has undergone a very significant increase in a short period of time (4.2pp in 18 months), implying a dramatic shift in bank financing terms and conditions for businesses and households. An increase of that speed and scale in interest rates is also a clear risk for the banks, as borne out by recent bank failures in the US as a result of the sizeable losses built up on their fixed-income investments (Silicon Valley Bank, Signature Bank and First Republic Bank). The financial instability which has also affected the European banks (spurred in part by the problems at Credit Suisse) is another reason for tighter borrowing terms and conditions. In fact, according to the most recent eurozone bank lending survey, published by the ECB on 2 May, the banks report having substantially tightened their criteria for approving new household or business loans due to higher perceived risk, reduced risk tolerance and higher funding costs. In its most recent *Financial Stability Report* (2023), the IMF also expressed its concern about the impact of tighter borrowing terms.

Against that backdrop, the purpose of this paper is to analyse the recent trend in bank financing terms and conditions in Spain in the European context. In the case of non-financial corporations, we analyse the role played by size in explaining differences in terms and conditions, distinguishing between loan costs as a function of the amount applied for and whether the applicant is a large or small enterprise. In the case of households, we distinguish between mortgage and consumer loans. In all instances, we use the new lending activity data provided by the ECB as that information best reflects the movements in interest rates. The information on interest rates is complemented by the feedback provided by the banks in the ECB's survey of their lending standards and conditions in respect of the first quarter of 2023.

Recent trend in bank loan interest rates

The benchmark rate most widely used to price bank loans in Spain, 12-month Euribor, hit a record low in January 2021, when it reached -0.505%. It continued to trade around that level until December of that year (-0.502%), when it embarked on a rally which would see it abandon negative readings by April 2022, rising to 3.757% a year later. In other words, an increase of 4.2 percentage points (pp) in a little under 18 months.

Although the pass-through of the increase in benchmark rates to bank loan prices has been

> "The pass-through of the increase in Euribor to bank loan rates has been bigger in the business segment than in the household segment and lower in Spain than in the eurozone."

Table 1 **Bank interest rates (NDER) on loans (new business)**

	Spain				Eurozone				Spain - Eurozone	
	Jan 21 %	Mar 23 %	Change pp	Change %	Jan 21 %	Mar 23 %	Change pp	Change %	Jan 21 %	Mar 23 %
Business loans	1.59	4.11	2.52	158	1.38	4.21	2.83	205	0.21	-0.10
Up to €0.25m	2.17	4.3	2.13	98	2.05	4.76	2.71	132	0.12	-0.46
Between €0.25m and €1m	1.54	4.14	2.6	169	1.51	4.24	2.73	181	0.03	-0.10
Less than €1m	2.04	4.26	2.22	109	1.82	4.56	2.74	151	0.22	-0.30
Over €1m	1.12	3.96	2.84	254	1.19	4.14	2.95	248	-0.07	-0.18
Home mortgages	1.56	3.54	1.98	127	1.35	3.44	2.09	155	0.21	0.1
Consumer loans	6.43	7.94	1.51	23	4.63	7.28	2.65	57	1.8	0.66

Source: ECB and author's own elaboration.

less intense, it has been sufficient to imply a significant change in borrowing terms and conditions. [1] As shown in Table 1, between January 2021 (when 12 Euribor bottomed out) and March 2023 (the most recent figure available at the time of writing), the rate charged for new business loans had increased by 2.52pp in Spain, which is a little less than the eurozone average of 2.83pp. The increase in the cost of home mortgages has been smaller: 1.98pp in Spain *vs.* 2.09pp in the eurozone. Borrowing costs have increased the least in the consumer loan segment: 1.51pp in Spain, which is much less than the increase observed in the eurozone (2.65pp). As a result, the pass-through of the increase in Euribor to bank loan rates has been bigger in the business segment than in the household segment and lower in Spain than in the eurozone.

In the case of business loans, the data reveal significant differences depending on loan size. In the case of smaller loans (less than 250,000 euros), the cost increase has been smaller (2.13pp) and lower than in the eurozone (2.71pp). For loans of over 1 million euros, the increase has been far more significant and lower in Spain (2.84pp) than in the eurozone (2.95pp). Given that smaller-sized loans are far more common in the SME segment, the pass-through of market rates is proving less intense in this segment than that being sustained by large enterprises, and also smaller in Spain than in the eurozone.

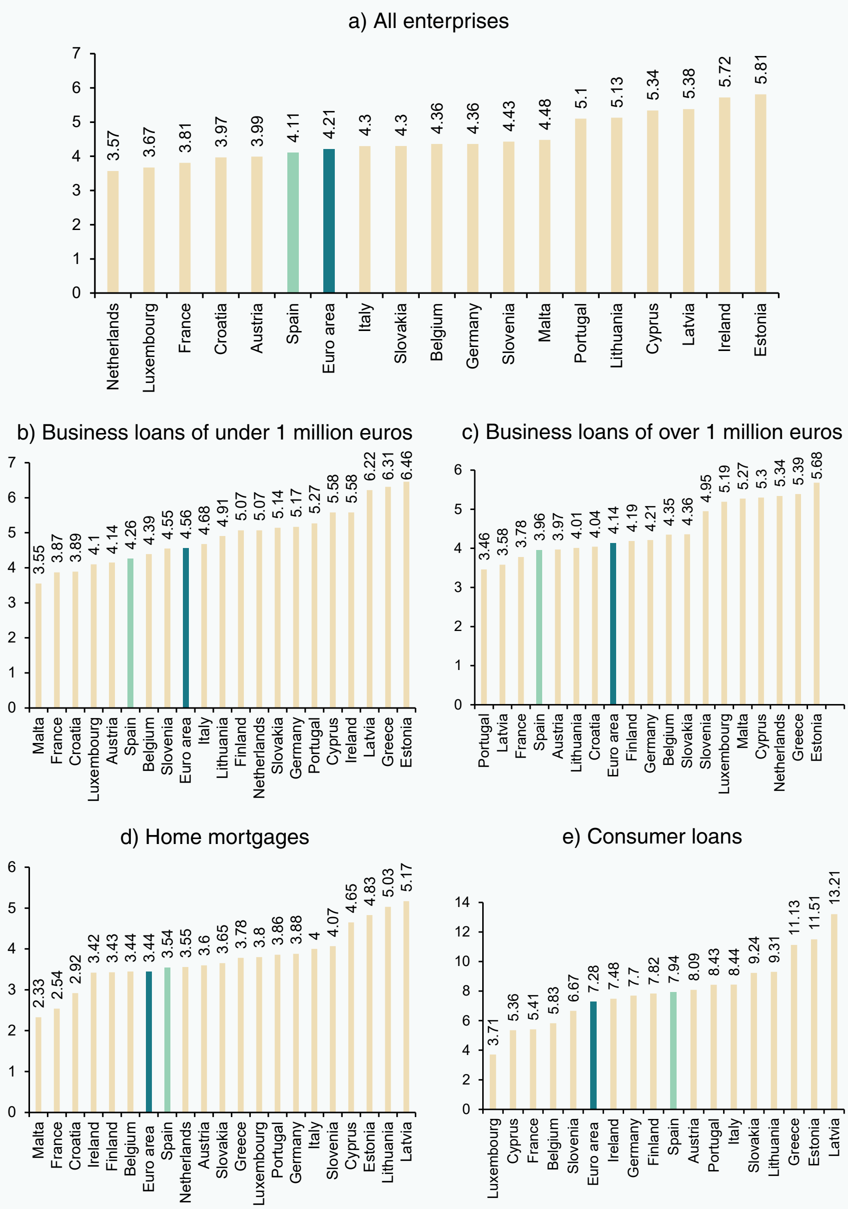
In the wake of the changes arising in the two years analysed since the start of 2021, nowadays the Spanish banks are charging businesses 10 basis points (bp) less for loans than the European banks on average. Rates are lower on all loans to companies regardless of the amount Thus, on loans of less than one million, the interest rate is 30 bp less and increases to 46 bp on those of less than

> "The pass-through of market rates is proving less intense in the SME segment than in lending to large corporations, and also smaller in Spain than in the eurozone; nevertheless, the SMEs bear higher financing costs than the large corporations."

Exhibit 1

Interest rates (NDER) on new bank loans, March 2023

Percentage



Source: ECB.

250,000 euros. On loans of more than one million euros, Spanish banks set an interest rate 18 bp lower.

Looking at the most recent figures (using data as of March 2023), businesses in Spain pay less for bank loans than in the eurozone and in Italy and Germany, but not France. In the household segment, the cost of a home mortgage is a little higher in Spain (3.54% as of March 2023) than in the eurozone (3.44%), but lower than in Germany (3.88%) or Italy

(4.00%). Consumer loans also cost more in Spain (7.94%) than in the eurozone (7.28%), France (5.41%) or Germany (7.77%), but less than in Italy (8.44%).

Changes in the banks' attitude to lending: Contributing factors

Are the banks tightening their screening criteria? To answer this question, we turn to the latest eurozone bank lending survey conducted by the ECB which covers the first quarter of 2023, [2] a period clearly affected by the interest rate increases, as well as the financial instability following the fall of Silicon Valley Bank and Signature Bank in the US and the bailout of Credit Suisse in Europe.

In the business loan segment, the Spanish banks have been tightening their loan approval credit standards since the first quarter of 2021, as evidenced by a higher percentage reporting tightening than easing of those standards. The biggest difference is observed in the last quarter of 2022, when the diffusion index constructed by the ECB [3] stood at 17 points, up 4pp from the previous quarter and 3pp above the eurozone average. In the first quarter of 2023, that index fell back to 8pp but remained positive. The reasons for the tightening reported in the first quarter of 2023 include economic weakening, greater risk aversion, more stringent collateral requirements and market funding difficulties. That quarter there were no significant differences between SMEs and large enterprises in credit standard tightening, in contrast to the previous quarter where tightening clearly affected SME lending more. Credit standard tightening is more pronounced in Spain than in the eurozone, where the diffusion index was 13.6. The banks reported an increase in loan application rejections in the first quarter of 2023, marked by a higher diffusion index for SME applicants relative to large enterprises (8 *vs.* 5). The increase in the loan application rejection rate is similar in Spain and the eurozone (7.5), with the European banks scantly differentiating by enterprise size.

In the case of home mortgages, the Spanish banks have also been tightening their credit standards since the third quarter of 2022, albeit by less than the in eurozone in the last two quarters (10 *vs.* 12.2 in the last quarter). The contributing factors in the first quarter of 2023 include the economic downturn, reduced availability of market funding, the outlook for the housing markets, banks' reduced tolerance for risk and less creditworthy borrowers. On the other hand, the banks reported reduced competition from non-banks. Loan application rejection rates also increased (albeit by less than in the eurozone, with diffusion indices of 5 and 11.5, respectively), as has been the case for the last four quarters.

Lastly, it is in the consumer loan segment that the Spanish banks' credit standards have tightened the most, as evidenced by a diffusion index that has been consistently above the eurozone index for the last three quarters (17 *vs.* 4.8 in the first quarter of 2023). The main factor contributing to the deterioration in standards in this segment is the reduced creditworthiness of loan applicants, with the effect of reduced risk tolerance, higher collateral requirements and access to market funding making smaller contributions. The application rejection rate increased in the last quarter (diffusion index: 8) and by more so than in the eurozone (5).

Changes in lending terms and conditions

Turning our attention to the terms and conditions set by the banks when lending

> "In the first quarter of 2023, Spanish banks toughened their loan approval standards across business, mortgage, and consumer lending, with the last segment experiencing the greatest tightening."

> "In the first quarter of 2023, the difference between the percentage of banks who reported they had tightened their terms and conditions on business loans increased and those who reported the opposite is higher in Spain than in the eurozone."

money to businesses, the tightening is clear, marked by a diffusion index of 25 points in the last quarter, higher in the case of SMEs (25) than large enterprises (18), extending the trend of the last three quarters. That tightening is more pronounced in Spain than in Europe, where the index is half as high, at 12 points. The factors contributing to the tightening include the increased spreads applied by the banks, the economic downturn and, to a lesser degree, more stringent collateral requirements and reduced risk tolerance.

In the mortgage segment, the Spanish banks have also tightened their terms and conditions, with a diffusion index of 25 points, very much in line with that of the last three quarters and almost twice the eurozone average (14.2). The tightening is most evident in the increase in borrowing costs (30 points), the spreads applied by the banks (15) and perceived risk (15). Terms and conditions around collateral were unchanged, while the competition factor eased.

Lastly in consumer financing, lending terms and conditions tightened even more significantly, as is evident in a diffusion index of 25 points, which is considerably more than twice the eurozone average (9.6). That tightening is manifest in the spreads applied and collateral required. The contributing factors include higher perceived risk and greater difficulties in accessing funding. The banks report reduced perceived competition, however.

Trend in new loans and credit lines

The volume of new loans extended to businesses and households depends on supply factors (such as the credit standards and terms and conditions applied by the banks, analysed above) and demand factors. The most recent data on new lending activity show business lending slowing (measured in terms of average annual growth in credit extended in the last 12 months) since the end of 2022. Having neared an annual rate of growth of 25% in November 2022, that rate fell back to 11.7% in March. It is on operations of less than 250,000 euros where it grows the most (14.8% in March 2023) and on those of more than one million euros where its rate of growth has slowed down the most.

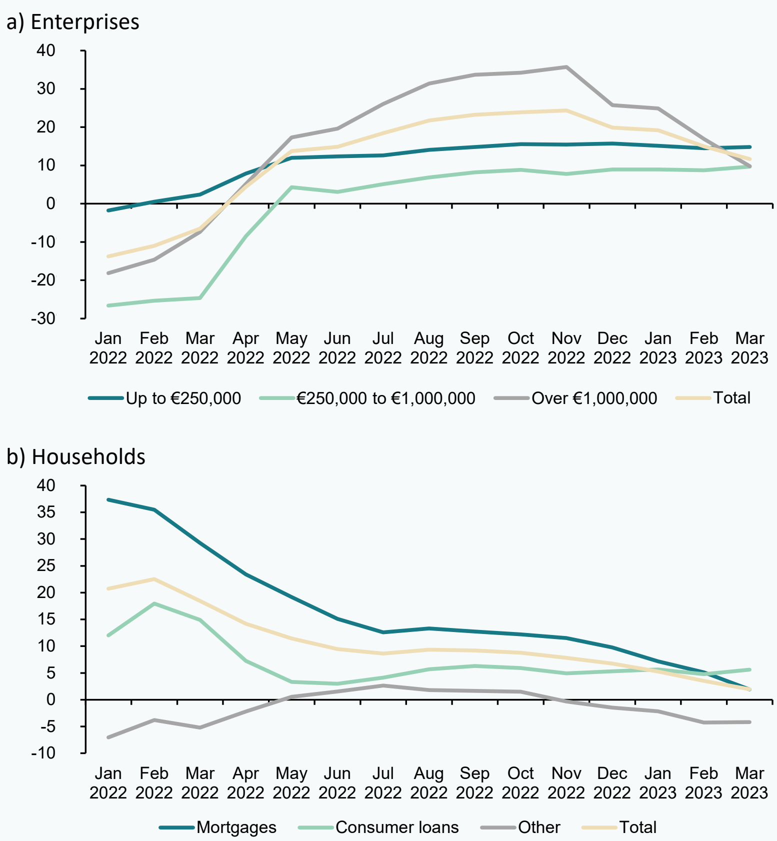
In the household segment, loans to new transactions have been slowing clearly for a year now, with trailing 12-month growth dropping from 23% in February 2022 to only 2% in March 2023. The mortgage segment lost the most momentum; recall, however, that growth in this category approached 40% at the end of 2021, financing sharp growth in home purchases. Growth had fallen back from those heady levels to 2% by March 2023 (the reading is actually negative if we compare the credit extended in the last three months with the volume for the same three months of the previous year). That trend is clearly heavily influenced by the ascent in Euribor (to which most mortgages are benchmarked) and the loss of purchasing power as a result of inflation. Consumer credit, which was hit heavily by the pandemic, started to recover in early 2022. Since then, however, the rate of growth has stabilised at around 5%, being 6% in the last data of March 2023. In credit for other uses (other than mortgages and consumer loans), lending volumes were shrinking by 4% as of March, compared to growth of 23% a year earlier.

Key takeaways

- The fact that benchmark interest rates have increased so sharply in such a short space of time has increased the cost of bank

Exhibit 2 **Trend in new loans. Trailing 12-month annual rate of growth in credit**

Percentage



Source: ECB.

loans, albeit by considerably less that the surge in market rates. In parallel, primarily as a result of poorer growth prospects, the banks' risk perception has increased and they have become more risk averse, which has translated into tighter loan terms and conditions, more so in the case of loans to small enterprises relative to large enterprises. These supply-side factors, coupled with demand dynamics, in the current context of growing financial instability, explain the downtrend in growth in new lending activity observed in recent months. However, new credit to companies continues at high rates (11.7%), but not to households (2%), with lower growth in loans for home purchases (2%) than for consumption (6%).

- The most recent figures (as of March 2023) places the interest rate on new loans in Spain below the euro area rate for companies, but higher for households, both for mortgages and for consumption.

- The run-up in interest rates has the effect of impoverishing businesses and households who now have to spend more of their disposable income on debt service. In 2022, Spanish businesses earmarked 6.9% of their gross disposable income to interest payments totalling 14.36 billion euros, compared to 0.8% in the case of its households (6.44 billion euros). Considering the stock of outstanding debt in 2022, those figures translate into average costs of 1.5% for the business segment and 0.91% for the household segment. If we assume that the average cost increases by at least 2pp in 2023, the interest payable by the two segments combined would increase by at least 33 billion euros.

- The good news is that both the business and household segments are better positioned to tackle the increase in bank loan costs than in the past thanks to significant deleveraging. The ratio of private sector debt to GDP decreased by 23pp between 2020 and 2022 (to 125.1%), with deleveraging more intense among businesses (-13.2pp to 72.2%) than households (-9.4pp to 53%). Those levels are well below the leverage observed in both sectors at the onset of the financial crisis of 2007-08 (193% of GDP in December in the private sector, of which 111.4pp was attributable to the business segment and 81.8pp to Spanish households). Both segments have also shored up their financial strength: the percentage of disposable income taken up by interest payments has improved sharply from highs of 25.6% in the business segment and 3% in the case of households in 2011 to less than one third of those levels (6.9% and 0.8%, respectively) in 2022.

- Although the interest rate increases are not a major concern for the reasons outlined above, there are vulnerable groups who face higher interest burdens with scant disposable income to spare. In the household segment, the extension at the end of 2022 of the code of good practices for mortgaged households is a welcome measure but could prove insufficient, in which case direct aid from the public sector may be necessary, as some regional governments are already offering.

Notes

[1] The Bank of Spain (2023) has found that the pass-through of the increase in Euribor to the average rate on the stock of household mortgages and loans to non-financial corporations was 30% in 2022. In our analysis, we focus on new transactions and not the average rate on the stock of loans.

[2] The survey was carried out between 22 March and 6 April 2023.

[3] The diffusion index = the percentage of lenders who reported they had tightened their credit standards + 0.5 times the percentage reporting having tightened them 'somewhat' – the percentage who reported they had eased their credit standards – 0.5 times the percentage reporting having eased them 'somewhat'.

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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)

Law 6/2023 on securities markets and investment firms (published in the *Official State Journal* on 18 March 2023)

The goals of this legislation include: (i) making the improvements needed to facilitate the development of the Spanish securities markets in the current competitive environment; (ii) improve the securities markets' body of institutional and technical regulations; and (iii) adapt Spanish law for recent developments in European law, while exercising the alternatives provided for in the various Directives which have to be transposed. Those Directives are: Directive (EU) 2019/2177, Directive (EU) 2020/1504, Directive (EU) 2021/338 (MiFID II Quick Fix), Directive (EU) 2022/2556, Directive (EU) 2019/2034 (IFD) and Directive (EU) 2021/2261.

In broad terms, this new law regulates the following:

- The nature of and legal regime governing Spain's securities market regulator, the CNMV for its acronym in Spanish, its duties, powers and organisational structure.
- The primary securities markets.
- Trading venues (regulated markets, multilateral trading facilities and organised trading facilities), post-trade securities clearing, settlement and registration systems and infrastructures, derivative position limits, issuer reporting requirements, reporting requirements around significant share and own share holdings, and the regimes applicable to takeover bids and to proxy advisors.
- The regime applicable to investment firms, including authorisation procedures, the regime for providing services in the EU and third countries, significant shareholdings, reporting requirements, corporate governance requirements, remuneration policy, and management systems, procedures and mechanisms.
- The regime applicable to data reporting service providers: scope of activity, authorisation procedure, disclosure, communication and data processing requirements, and internal organisation requirements.
- The Investment Guarantee Fund, implementing rules around joining and leaving the insurance scheme and the enforcement of guarantees.
- The rules of conduct applicable to investment firms (customer classification, design and marketing of financial products, suitability and know your client assessments, payments and remuneration for the provision of services; skills and knowledge tests, order execution rules, *etc.*).
- Market abuse regulations.
- The supervisory, inspection and penalty regime; and
- The tax regime governing securities trades.

Among the matters addressed by the new legislation, the following stand out:

- The separation of investment firms' prudential requirements depending on their size; a series of additional requirements related with the firms' systemic risks and financial importance; adaptation of the supervisory regime at the national level. The CNMV may permit, underpinned by a report from the Bank of Spain, the application of the CRR regulatory framework to investment firms that are subsidiaries of banking groups that meet a series of requirements in order to facilitate the prudential supervision of these entities related to banks without resulting in a reduction in the investment firms' own funds requirements.

- Creation of a new 'national financial advisory firm' category; such firms will have three months to adhere to the Investment Guarantee Fund. These new companies will not quality as investment firms so that their initial capital requirements will be lower. To that end, the former category of 'natural person financial advisory firm' is being eliminated; those entities will have nine months to change their form of incorporation and re-register as national financial advisory firms.

- A reduced administrative burden in terms of documentation and reporting requirements. Specifically, investment firms will not have to comply with the product governance requirements when distributing investments arranged with eligible counterparties. Also, they will be allowed to provide their clients with the required information in electronic format unless a retail client specifically requests a hard copy. Some information requirements are also being waived for services provided to professional clients, unless the latter expressly notify their desire to exercise those rights.

- Elimination of central securities depositories' obligation to keep an information system for the purpose of supervising securities trading, clearance, settlement and registration. Central securities depositories, financial market infrastructures and participating entities have two years to transition to the new regulatory framework.

- Extension of the takeover bid regulations applicable to regulated markets to multilateral trading facilities.

- Regulation of the growth SME market with the aim of making it easier to list on this market in order to raise money.

- Simplification of the fixed-income securities issuance process and reduction of the fees fixed-income securities issuers have to pay to the CNMV.

- Reinforced protection of investors against firms offering investment services without the required authorisation, officially categorising the advertising and information breaches that will be supervised by the CNMV.

- Expansion from two to three months of the deadline for issuing the second six-monthly financial report for issuers whose shares are admitted to trading on a regulated market or other regulated market domiciled in the EU when Spain is the issuer's home market Member State and the annual financial report has not been published in the two months following the end of the annual reporting period.

- Introduction of financial instruments issued through the market infrastructures based on the distributed ledger technology contemplated in Regulation (EU) 2022/858.

- Introduction of the measures needed to apply the future Markets in Cryptoassets Regulation (MiCA). Introduction of the requirements and obligations for setting up and registering cryptoassets subject to securities market legislation. As a result, the CNMV will be able to penalise breaches of the obligations and requirements around cryptoassets that are not financial instruments and that are presented as investment opportunities.

- The penalty regime applicable to breaches of the obligations set down in the EU's Digital Operational Resilience Act (DORA).

- Implementation of the regime governing special-purpose acquisition companies (SPACs). Specifically, itemisation of the mechanisms for reimbursing shareholders and certain company law exceptions applicable exclusively to SPACs. Notably, the new regulations stipulate that SPACs' bylaws must contemplate closing the acquisition agreement for which they were set up within no more than 36 months from the IPO, a period which may be extended by up to but no more than 18 months if agreed at a general shareholder meeting. Once the acquisition or merger has closed, those exceptions will cease to apply.

The new legislation also introduces the following amendments to existing regulations:

- Law 13/1989 (credit cooperatives): establishment of the regime for trading in the shares of the credit cooperatives under Bank of Spain supervision.

- Law 41/1999 (payment systems and securities settlement): definition of the "Spanish system" as the procedures or agreements bound by Spanish law for the settlement of fund transfer orders from a cash account open at the Bank of Spain, ECB or other central bank of an EU Member State whose system is connected to that of the Bank of Spain via the European System of Central Banks.

- Law 35/2003 (undertakings for collective investment): regulating, among other things: (i) replacement of a depository in the event of bankruptcy, licence revocation or suspension; (ii) depository bankruptcies; (iii) public intervention in the dissolution of an investment firm, manager or depository to pass control to the Bank of Spain and FROB; and (iv) an updated key investor information document.

- Royal Legislative Decree 1/2010 (Corporate Enterprises Act): update of the bylaws, public registration, and exceptions applicable to SPACs.

- Law 10/2014 (structuring, supervision, and capital adequacy of credit institutions): introduction of the Bank of Spain supervisory report and changes to ensure consistency with the MiCA Regulation.

- Law 16/2014 (CNMV levies): among other things, the amendments eliminate the levy previously charged for verifying admission to trading requirements for non-equity securities and include 'national financial advisory firms' within the scope of application of some of the CNMV's levies.

- Law 22/2014 (private equity firms and venture capitalists, other closed-end collective investment undertakings and their management companies): update of the following aspects of the regulations applicable to management companies: ancillary services, authorisation requirements, manager replacement, registration in the CNMV's public registers, reporting, audit, and accounting requirements, investor disclosure requirements prior to making investments, infraction notifications, *etc*.

- Law 5/2015 (facilitation of corporate financing): inclusion of the entities contemplated in the Securitisation Regulation (Regulation (EU) 2017/2402) under the scope of the CNMV's supervisory and penalty regime. The articles regulating legislative breaches have also been amended.

- Law 11/2015 (recovery and resolution of credit institutions and investment firms): introduction of the investment firm concept with respect to those authorised to deal on their own account and/or underwrite or place financial instruments on a firm commitment basis.

The new legislation also repeals the last Securities Market Act (Royal Legislative Decree 4/2015) and some of its amendments (Royal Decree-law 21/2017 and Royal Decree-law 14/2018).

The new legislation took effect 20 days after its publication in the *Official State Journal*, with the exception of certain provisions, which will take effect later: (i) those related with the MiCA will take effect in conjunction with the associated Regulation; and (ii) those related with the requirements for admitting financial instruments to trading will take effect six months after its publication.

Bank of Spain Circular 1/2023 on the information to be provided to the Bank of Spain regarding covered bonds and other loan securitisation instruments (published in the *Official State Journal* on 2 March 2023)

The purpose of this Circular is to set forth the content, frequency and deadlines for submitting the required confidential statements to the Bank of Spain for issues of covered bonds, mortgage-backed securities and loan securitisation instruments backed by chattel mortgages or pledges without transfer of possession, the liquidity buffer requirements for the cover pool for covered bond programmes; organisation and management of the special registry for the cover pool; and the cover pool monitor.

The Circular applies to credit institutions, branches in Spain of credit institutions authorised in another EU Member State and specialised lending institutions.

The periodical information and confidential statements to be submitted to the Bank of Spain are structured into seven blocks articulated around the following topics:

- Eligibility of assets and requirements for the cover pool for covered bonds programmes.
- Liquidity buffer requirement for the cover pool for covered bond programmes.
- Loan securitisation instruments backed by chattel mortgages or pledges without transfer of possession.
- Liquidity buffer requirement for the cover pool for loan securitisation instruments backed by chattel mortgages or pledges without transfer of possession.
- Issuance of mortgage-backed securities.
- Organisation and management of the special cover pool registry; and
- Cover pool monitor.

It also amends Circular 4/2017 to repeal the public disclosures related with the issuance of covered bonds and other asset-backed securities related with the mortgage market and Circular 4/2019 to eliminate the information disclosure requirement formerly incumbent on specialised lending institutions that issued 'internationalisation covered bonds'.

The Circular took effect on 31 March 2023. The first set of statements to be prepared under the new requirements are those corresponding to the first quarter of 2023, to be sent to the Bank of Spain together with those corresponding to the second quarter of 2023, within the deadline for submitting the latter.

Bank of Spain Circular 2/2023 amending the Risk Information Register Circular (published in the *Official State Journal* on 25 March 2023)

The objectives of the new Circular are:

- Specifying the information to be submitted to the Risk Information Register by reporting entities as a result of certain modifications introduced to reduce the exemptions for individual reporting to the Register with respect to certain smaller transactions contemplated in Ministerial Order ETD/600/2022. As a result, the reporting entities must now report all transactions whose cumulative risk for the entity equals at least 3,000 euros individually (transaction by transaction) to the Risk Information Register.
- Determining the additional information to the submitted to the Risk Information Register to align it with the changes contemplated in the Code of Good Practices

governing the renegotiation of the state-guaranteed loans set forth in Royal Decree-law 5/2021 and the Cabinet Agreement of 10 May 2022, establishing the terms and conditions of the first tranche of the surety facility contemplated in Royal Decree-law 6/2022. Specifically, the financial institutions must flag the transactions availing of the related measures in their accounting and risk management systems: extension of maturity dates; loan transformation into profit-participating loans; or partial loan forgiveness. Those flags must likewise be included in the information submitted to the Bank of Spain's Risk Information Register.

- The Circular introduces certain changes to the Register to align it with the reporting regime contemplated in the AnaCredit Regulation.

- It also makes changes to clarify the information that needs to be provided in respect of certain transactions, simplify how some of the information is provided, introduce the odd additional dimension, and extend the grounds for which certain information is requested.

The new Circular will take effect on 1 July 2023, except for the changes regarding "reportable risks" and "owners and other reportable parties" and the provision on the new requirements regarding the Code of Good Practices (Royal Decree-law 5/2021) and surety lines (Royal Decree-law 6/2022), which take affect the day after its publication.

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Spanish economic forecasts panel: May 2023*

Funcas Economic Trends and Statistics Department

GDP growth projection for 2023 increased to 1.7%

In the first quarter of 2023, GDP grew by 0.5%, according to the provisional advance, 0.4pp higher than expected by the analysts' consensus. The contribution of domestic demand to growth was negative, -0.8 pp, basically due to the sharp fall in private consumption. On the other hand, the foreign sector contributed 1.3 pp, due to an increase in exports of greater magnitude than that of imports. Exports of tourism services were particularly strong. The results for the last two quarters of 2022 were also revised upwards, from 0.2% growth in each quarter to 0.4%. This introduces a positive carry-over effect on the 2023 annual growth rate that previous forecasts did not contemplate, which would imply the need to revise previous forecast upwards, if the 2023 outlook remains unchanged.

Regarding the beginning of the second quarter of 2023, the few indicators available remain similar to previous months, some slightly below (PMI) and others above (confidence indices).

Nevertheless, the consensus forecast for GDP growth for 2023 as a whole was increased by 0.2pp to 1.7% compared to the previous Panel, after 11 panelists revised their forecasts upwards. Regarding the quarterly profile, growth in the remaining quarters of the year is expected to be lower than in the first quarter, at around 0.2%-0.3% (Table 2).

The contribution of domestic demand to GDP growth is expected to be one percentage point, two tenths less than in the previous consensus forecast. The panelists revised downward the growth of private consumption and investment in machinery and equipment. The foreign sector is expected to add 0.7pp to GDP growth, an improvement of four tenths compared to the March Panel, as a result of an upward revision in export growth (Table 1).

2024 forecast reduced to 1.8%

The consensus forecast for GDP growth in 2024 was reduced by three tenths to 1.8%, compared to the previous Panel. However, this result would imply an acceleration of the economy by 0.1pp with respect to growth in 2023. This forecast is slightly lower than that announced by the Bank of Spain, the Government and international organizations, such as the IMF and the European Commission.

It is interesting to note that of the eleven panelists who have revised their forecast upwards for 2023, most (eight) have simultaneously revised downwards their forecast for 2024.

The higher growth of private consumption and investment will more than offset the lower dynamism of public consumption predicted for next year. As for the foreign sector, a decrease of 0.1pp is expected – as opposed to the seven tenths it should contribute this year – due to slightly higher growth in imports compared to exports.

Upward revision of the core CPI forecast

After being interrupted at the beginning of the year, the moderation of the overall CPI continues based on the results for March and April, although the importance of the base effect in these data should be noted. The core index, for its part, continues to grow at a relatively high rate.

In line with recent trends, the forecast for average annual inflation has been revised downwards by two tenths to 4%, while that of the core index has been raised by three tenths to 5.8%. For 2024, rates of 2.9% and 3.4% are expected for the overall and core indices, respectively.

The expected year-on-year rates for December 2023 and December 2024 are 4.2% and 2.4%, correspondingly.

Employment expected to continue to grow, and the unemployment rate to fall to 12.5% by 2024

According to the Labor Force Survey, employment increased by 1.2% in the first quarter of the year, after eliminating seasonal effects, which represents a higher rate of growth than in the previous four quarters. The unemployment rate stood at 13.3%, 0.3pp lower than in the same period of the previous year. Social Security enrollment also points to an acceleration in the rate of growth of employment in the first quarter, although of a lesser magnitude than that indicated by the LFS. In April, the labor market continued to perform well, with the hospitality industry playing a leading role.

The average employment growth estimate for 2023 has been increased by two tenths to 1.3%, while the forecast for 2024 has been reduced by three tenths to 1.3%.

The implied forecast productivity and unit labor cost (ULC) growth is derived from the forecasts for GDP, employment and wage growth. Productivity per full-time equivalent job is expected to grow by 0.4% this year and by 0.5% in 2024. As for ULCs, they should increase by 3.6% in 2023 and 2.9% in 2024, four and one tenth more compared to the previous Panel, respectively.

The average annual unemployment rate is expected to be 12.8% on average in 2023, one tenth less than in the previous Panel and should fall to 12.5% in 2024, one tenth more than in the previous Panel (Table 1).

External surplus outlook improved

According to the revised figures, the current account balance recorded a surplus of 7.8 billion euros in 2022, 0.6% of GDP, down from 11.524 billion euros in the previous year due to a poorer performance of the income balance. The total trade balance recorded a similar result last year, although with a very different composition: a sharp increase in the trade deficit (due to the deterioration of the real terms of trade, in a context of higher imported energy prices) but an intense growth in the surplus of services, both tourism and non-tourism. In the first two months of this year, the income balance deficit was slightly higher, while the trade balance improved significantly compared to that recorded in the same period of 2022. Thus, the current account balance went from a negative result of 3.9 billion euros to a surplus of 5.6 billion euros in the first two months of the year.

The panelists´ expect a current account surplus of 1% of GDP for 2023, and 0.8% for 2024, 0.2pp higher than in the previous forecast (Table 1).

Public deficit forecast maintained

The public administration recorded a deficit of 4.8% in 2022 –0.3pp higher than that anticipated by the panelists– compared to 6.9% in the previous year. The first months of 2023 also show improvement in different levels of government.

The Panel forecasts a reduction in the public deficit over the next two years to 4.2% of GDP in 2023 and 3.7% in 2024, the same amount as the March forecast. These data deviate by three and seven tenths from the Government's forecast (Table 1).

International uncertainties persist with economic and financial repercussions

The IMF's spring round of forecasts paints an uncertain picture for the next two years due to inflation, geopolitical tensions and their impact on international trade, and financial turbulence following the crisis episode in regional banking in the United States and the collapse of Credit Suisse in Europe. The Fund's experts forecast global growth of 2.8% in 2023, 0.6pp less than in 2022, and 3% for 2024. The slowdown would be particularly pronounced in the case of the eurozone, but the US economy would also show significant weakening, especially in the second half of the current fiscal year, due to tightening monetary policies.

The European Commission agrees on the outlook for weaker growth in Europe, although it also points to favorable factors, including lower energy prices, the good performance of the labor market and the strong recovery in tourism. As a result of this turnaround, Brussels has revised upwards its growth forecast for the eurozone to 1.1% in 2023 (0.3pp higher than in the last Panel) and to 1.6% in 2024 (0.1pp higher).

Nevertheless, the panelists' assessment of the international environment remains largely unchanged. Most are of the opinion that the external environment remains unfavorable, both in Europe and beyond, anticipating little change in the coming months.

Monetary and credit tightening continues

Since March, the ECB has raised its main interest rates by 25 basis points, a slower pace since the start of the monetary turnaround almost a year ago and in line with the Federal Reserve's policy. Moreover, Frankfurt is not committing to further tightening, making future decisions dependent on the evolution of inflation and the economy. However, according to its latest statement, the central bank will redeem all maturing bonds as of July under the APP purchase program with the expectation to accelerate the reduction of its balance sheet as part of its quantitative tightening policy.

On the other hand, the bank lending survey anticipates a contraction in new lending, mainly as a consequence of the interest rate hikes that have already been implemented. The current period of financial stress could also influence criteria for new lending.

In any case, analysts expect monetary policy to be tightened which should be reflected in short-term rates, although they also point to a slight easing in the second part of 2024. The ECB's deposit facility would rise until the end of the year, to 3.75% according to most panelists, and would start a downward path beginning in the first quarter of next year.

On the other hand, few changes in market rates are anticipated in relation to the previous Panel. The one-year Euribor is expected to be close to 4% by the end of 2023, before falling to below 3.5% by the end of 2024. Spanish 10-year government bonds are expected to peak at 3.6% at the end of this year and then fall to 3.3% in the second half of 2024.

Euro appreciation against the dollar

The path of rate hikes is expected to last longer in Europe than in the U.S., so markets anticipate a narrower yield differential between the two sides of the Atlantic. In line with these expectations, analysts forecast an appreciation of the euro against the dollar in the coming months (Table 2), following a steeper slope than predicted in the last Panel.

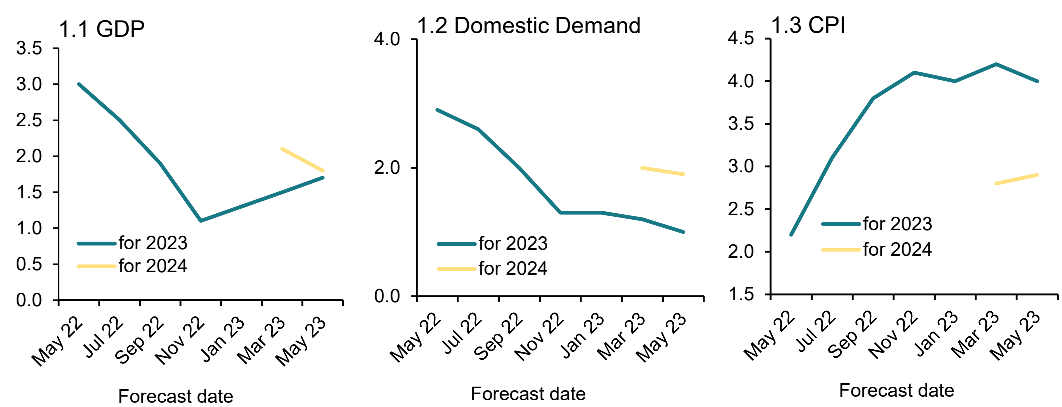
Fiscal policy should stop being expansionary

Concern about inflation and its costs to the economy is reflected in the Panel´s views on economic policy. Most panelists agree on the expansionary nature of fiscal policy (Table 4), while all consider that it should be more neutral or even restrictive in relation to the economic cycle. On the other hand, almost all agree that the current monetary policy is restrictive and appropriate given inflationary pressures.

Exhibit 1

Change in forecasts (Consensus values)

Annual rates in %



Source: Funcas Panel of Forecasts.

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

Spanish economic forecasts panel: May 2023*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – May 2023

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]	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Analistas Financieros Internacionales (AFI)	1.8	1.5	1.0	1.5	2.9	0.8	1.9	1.8	2.6	2.3	1.4	1.5	1.6	1.4
BBVA Research	1.6	2.6	1.0	2.8	2.0	2.4	3.0	10.5	0.9	9.9	3.3	11.1	1.9	4.2
CaixaBank Research	1.3	1.9	0.7	2.3	2.2	0.5	-1.7	2.6	-4.5	3.4	-0.3	2.2	1.1	1.9
Cámara de Comercio de España	1.9	2.3	-0.7	2.1	0.9	0.9	0.3	4.7	-1.2	3.9	1.0	5.2	0.3	2.2
Centro de Estudios Economía de Madrid (CEEM-URJC)	1.2	1.8	1.0	2.0	1.3	0.8	2.7	1.9	1.5	2.5	3.7	1.5	1.4	1.7
Centro de Predicción Económica (CEPREDE-UAM)	1.7	2.5	0.5	2.3	1.5	2.6	2.1	5.6	0.7	5.6	2.6	6.1	0.1	2.6
CEOE	1.9	1.4	-0.1	0.9	1.2	0.9	1.9	2.5	-2.1	1.2	4.3	2.3	0.8	1.2
Equipo Económico (Ee)	2.1	2.3	1.3	1.5	0.7	1.1	4.1	4.1	3.7	4.0	4.2	3.9	1.9	2.3
EthiFinance Ratings	1.6	2.0	1.4	1.9	1.1	1.4	1.5	2.1	1.0	2.1	1.1	1.5	1.0	1.6
Funcas	1.5	1.4	0.7	1.0	2.2	0.7	2.6	2.3	3.6	2.7	2.6	1.7	1.4	1.2
Instituto Complutense de Análisis Económico (ICAE-UCM)	1.9	2.3	1.2	3.3	0.6	0.4	0.9	2.9	1.1	4.9	0.8	1.7	0.9	2.5
Instituto de Estudios Económicos (IEE)	1.8	1.3	0.1	0.5	1.3	1.0	1.7	2.4	1.5	1.8	4.0	2.1	0.8	1.0
Intermoney	1.5	2.4	0.9	2.4	0.8	0.9	2.4	3.5	1.6	3.6	3.2	3.3	1.2	2.2
Mapfre Economics	1.7	1.4	1.6	1.8	1.9	1.5	-0.2	3.0	--	--	--	--	1.6	1.7
Oxford Economics	2.2	1.3	0.8	2.2	1.2	1.1	-0.7	2.1	-3.8	4.4	-0.8	2.5	1.1	1.7
Repsol	2.2	1.9	-0.2	2.0	1.3	1.0	2.5	2.6	4.5	3.6	2.1	2.3	0.1	1.6
Santander	1.8	1.3	0.0	2.0	1.0	0.5	1.2	4.7	0.8	5.5	0.9	3.8	0.4	2.2
Universidad Loyola Andalucía	1.5	1.5	1.3	2.0	2.8	2.3	1.3	1.2	2.0	1.6	3.2	2.1	0.6	0.5
CONSENSUS (AVERAGE)	1.7	1.8	0.7	1.9	1.5	1.2	1.5	3.4	0.8	3.7	2.2	3.2	1.0	1.9
Maximum	2.2	2.6	1.6	3.3	2.9	2.6	4.1	10.5	4.5	9.9	4.3	11.1	1.9	4.2
Minimum	1.2	1.3	-0.7	0.5	0.6	0.4	-1.7	1.2	-4.5	1.2	-0.8	1.5	0.1	0.5
Change on 2 months earlier[1]	0.2	-0.3	-0.3	-0.1	0.1	0.0	-0.2	0.1	-0.1	-0.2	0.4	0.2	-0.2	-0.1
- Rise[2]	11	2	2	5	7	4	4	8	4	6	6	9	4	2
- Drop[2]	0	9	11	8	6	8	10	5	6	5	6	1	9	7
Change on 6 months earlier[1]	0.6	--	-0.3	--	0.6	--	-1.6	--	-1.7	--	-0.8	--	-0.3	--
Memorandum items:														
Government (April 2023)	2.1	2.4	2.1	3.0	1.9	0.9	0.9	5.0	--	--	--	--	1.7	2.9
Bank of Spain (March 2023)	1.6	2.3	1.2	2.3	0.5	0.8	0.3	3.9	--	--	--	--	1.0	2.3
EC (May 2023)	1.9	2.0	0.9	2.3	1.7	0.6	2.2	4.2	1.8	5.3	2.3	3.9	1.3	2.3
IMF (April 2023)	1.5	2.0	1.1	1.7	2.0	0.7	1.3	3.9	--	--	--	--	--	--
OECD (March 2023)	1.7	1.7	--	--	--	--	--	--	--	--	--	--	--	--

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

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

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

Table 1 (Continued)

Economic Forecasts for Spain – May 2023

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)	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Analistas Financieros Internacionales (AFI)	2.5	3.0	2.1	2.7	4.8	3.5	6.6	3.6	4.3	4.0	1.2	1.0	12.6	12.3	0.4	0.1	-3.8	-3.7
BBVA Research	3.2	5.3	3.8	9.4	3.9	2.8	--	--	4.7	4.2	1.1	1.7	12.6	11.5	0.4	-1.3	-3.9	-3.3
CaixaBank Research	1.0	2.0	-0.5	2.0	4.2	2.6	5.8	2.7	3.8	3.0	1.1	1.4	12.8	12.4	0.3	1.0	-4.0	-3.3
Cámara de Comercio de España	6.1	1.8	1.5	0.9	3.8	2.2	5.9	3.3	--	--	1.3	1.2	13.2	12.7	0.9	0.4	-4.4	-3.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	3.3	3.4	3.8	3.2	4.6	3.3	5.3	3.2	--	--	0.2	1.0	12.6	12.0	1.2	1.0	-4.1	-3.4
Centro de Predicción Económica (CEPREDE-UAM)	7.8	4.6	3.8	5.5	3.5	2.9	--	--	3.5	3.4	0.7	2.1	13.3	12.6	3.3	2.9	-3.9	-3.0
CEOE	6.4	3.3	3.5	3.0	4.5	2.7	6.7	2.8	3.7	2.9	1.6	1.0	12.7	12.6	1.0	0.8	-4.2	-3.8
Equipo Económico (Ee)	4.4	3.9	4.2	3.8	4.2	3.1	4.9	3.4	3.6	3.5	1.9	1.7	12.8	12.5	0.4	0.5	-4.0	-3.7
EthiFinance Ratings	3.6	2.7	-0.3	2.3	3.8	3.3	4.0	2.5	--	--	--	--	12.8	12.6	1.0	1.0	-3.9	-3.8
Funcas	2.8	2.4	2.5	2.0	4.2	3.3	6.6	3.3	3.5	3.4	1.1	0.9	12.3	11.9	1.4	1.4	-4.5	-4.3
Instituto Complutense de Análisis Económico (ICAE-UCM)	6.7	3.9	4.2	4.9	4.1	3.2	5.1	3.3	--	--	1.0	1.5	12.7	12.0	0.5	0.6	-4.3	-4.0
Instituto de Estudios Económicos (IEE)	6.2	3.6	3.8	2.9	4.7	2.9	6.8	3.0	3.7	2.9	1.5	0.9	12.8	12.7	0.9	0.8	-4.3	-3.9
Intermoney	3.3	4.1	2.6	3.8	4.2	3.5	4.5	3.3	--	--	1.5	2.0	12.8	12.6	1.2	--	-4.2	-3.9
Mapfre Economics	2.3	1.5	2.2	2.5	3.7	2.5	4.5	2.7	--	--	--	--	13.1	13.0	1.3	1.3	-4.6	-3.8
Oxford Economics	4.6	0.9	1.7	2.1	3.8	2.1	6.2	2.6	--	--	--	--	12.7	12.8	1.6	1.4	-4.4	-3.4
Repsol	8.3	6.9	3.2	7.0	3.7	2.8	6.0	3.0	4.0	3.0	1.6	1.4	12.4	12.1	0.9	0.5	-4.4	-3.5
Santander	6.2	1.9	4.1	4.8	3.8	2.7	6.6	3.2	4.9	3.3	1.5	1.0	13.0	13.2	--	--	--	--
Universidad Loyola Andalucía	3.0	4.8	1.0	3.0	3.5	2.3	7.9	7.8	--	--	1.7	1.3	12.8	12.7	0.2	0.2	-5.1	-4.5
CONSENSUS (AVERAGE)	4.5	3.3	2.6	3.7	4.0	2.9	5.8	3.4	4.0	3.4	1.3	1.3	12.8	12.5	1.0	0.8	-4.2	-3.7
Maximum	8.3	6.9	4.2	9.4	4.8	3.5	7.9	7.8	4.9	4.2	1.9	2.1	13.3	13.2	3.3	2.9	-3.8	-3.0
Minimum	1.0	0.9	-0.5	0.9	3.5	2.1	4.0	2.5	3.5	2.9	0.2	0.9	12.3	11.5	0.2	-1.3	-5.1	-4.5
Change on 2 months earlier[1]	1.3	-0.5	0.0	-0.1	-0.2	0.1	0.3	0.1	0.4	0.1	0.2	-0.3	-0.1	0.1	0.5	0.2	0.0	0.0
- Rise[2]	12	2	6	5	4	6	9	6	3	3	6	2	1	7	10	3	5	7
- Drop[2]	3	11	9	7	8	3	2	2	0	1	2	7	8	6	0	4	4	4
Change on 6 months earlier[1]	1.6	--	-0.5	--	-0.1	--	1.8	--	0.7	--	0.4	--	-0.2	--	0.5	--	0.3	--
Memorandum items:																		
Government (April 2023)	1.5	2.5	0.7	3.9	--	--	--	--	--	--	2.1	2.3	12.2	10.9	--	--	-3.9	-3.0
Bank of Spain (March 2023)	3.1	2.9	1.8	3.1	3.7 (6)	3.6 (6)	3.9 (7)	2.2 (7)	--	--	0.9 (8)	1.3 (8)	12.7	12.3	--	--	-4.1	-3.5
EC (May 2023)	4.1	3.3	2.8	4.2	4.0 (6)	2.7 (6)	4.9	3	4.7	3.5	1.1	1.3	12.7	12.4	1.6	1.5	-4.1	-3.3
IMF (April 2023)	2.8	3.8	3.1	3.8	4.3 (6)	3.2 (6)	--	--	--	--	0.8	0.6	12.6	12.4	0.9	0.8	-4.5	-3.5
OECD (March 2023)	--	--	--	--	4.2 (6)	4.0 (6)	--	--	--	--	--	--	--	--	--	--	--	--

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

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

[8] *Hours worked.*

Table 2

Quarterly Forecasts – May 2023

	23-I Q	23-II Q	23-III Q	23-IV Q	24-I Q	24-II Q	24-III Q	24-IV Q
GDP[1]	0.5	0.3	0.2	0.2	0.5	0.6	0.5	0.6
Euribor 1 yr [2]	3.65	3.93	3.97	3.91	3.72	3.55	3.38	3.21
Government bond yield 10 yr [2]	3.43	3.58	3.63	3.61	3.50	3.43	3.38	3.31
ECB main refinancing operations interest rate [3]	3.50	3.97	4.10	4.05	3.93	3.67	3.43	3.22
ECB deposit rates [3]	3.00	3.45	3.62	3.57	3.46	3.18	2.96	2.73
Dollar / Euro exchange rate [2]	1.07	1.08	1.09	1.10	1.14	1.10	1.11	1.11

Forecasts in yellow.
[1] *Qr-on-qr growth rates.*
[2] *End of period.*
[3] *Last day of the quarter.*

Table 3

CPI Forecasts – May 2023

Year-on-year change (%)					
Apr-23	May-23	Jun-23	Jul-23	Dec-23	Dec-24
4.1	4.1	3.2	3.1	4.2	2.4

Table 4

Opinions – May 2023

Number of responses

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

[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									
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		2.3	1.7	2.3	6.3	9.5	3.4	1.7	3.9	2.9	-0.6
2019		2.0	1.1	1.9	4.5	7.2	1.8	2.2	1.3	1.6	0.4
2020		-11.3	-12.2	3.5	-9.7	-10.2	-9.2	-19.9	-14.9	-9.1	-2.2
2021		5.5	6.0	2.9	0.9	-3.7	5.8	14.4	13.9	5.2	0.3
2022		5.5	4.4	-0.7	4.6	4.7	4.6	14.4	7.9	3.1	2.4
2023		1.5	0.7	2.2	2.6	2.6	2.7	2.8	2.5	1.4	0.2
2024		1.4	1.0	0.7	2.3	1.7	3.0	2.4	2.0	1.2	0.2
2021	II	17.9	23.3	4.1	17.5	9.5	26.6	40.5	40.8	17.6	0.3
	III	4.2	4.0	3.1	-3.0	-6.7	0.8	15.2	14.3	3.8	0.4
	IV	6.6	4.5	-0.1	-1.7	-3.9	0.5	16.4	11.6	4.9	1.7
2022	I	6.5	4.7	-1.1	3.8	0.6	7.1	17.1	12.5	4.7	1.8
	II	7.7	5.1	-2.6	6.0	6.5	5.4	20.2	8.5	3.7	4.0
	III	4.8	4.9	-1.4	6.3	6.9	5.6	14.2	8.9	2.9	2.0
	IV	2.9	2.9	2.5	2.4	4.7	0.2	7.1	2.2	1.1	1.9
2023	I	3.8	1.5	1.3	0.8	5.0	-3.2	10.2	4.0	1.3	2.5
		Chain-linked volumes. quarter-on-quarter percentage changes									
2021	II	1.4	2.2	0.7	1.1	1.8	0.4	2.2	6.0	2.5	-1.1
	III	3.1	2.1	0.5	-0.8	-1.4	-0.2	5.7	2.7	2.1	1.0
	IV	2.3	0.3	-1.8	-0.1	-0.5	0.3	5.5	1.9	1.0	1.2
2022	I	-0.4	0.1	-0.4	3.6	0.7	6.5	2.9	1.3	-1.0	0.6
	II	2.5	2.6	-0.8	3.2	7.8	-1.1	4.8	2.3	1.5	1.0
	III	0.4	1.9	1.7	-0.5	-1.0	0.0	0.4	3.0	1.3	-0.9
	IV	0.4	-1.6	2.0	-3.7	-2.6	-4.9	-1.0	-4.3	-0.7	1.1
2023	I	0.5	-1.3	-1.6	1.9	1.0	2.9	5.8	3.1	-0.8	1.3
		Current prices (EUR billions)	Percentage of GDP at current prices								
2016		1,114	58.2	19.1	18.0	8.6	9.4	33.9	29.9	96.0	4.0
2017		1,162	58.3	18.7	18.7	9.0	9.7	35.1	31.5	96.4	3.6
2018		1,204	58.1	18.7	19.4	9.7	9.7	35.1	32.4	97.3	2.7
2019		1,246	57.4	18.9	20.0	10.4	9.7	34.9	32.0	97.1	2.9
2020		1,118	56.1	22.0	20.4	10.5	9.8	30.8	29.3	98.5	1.5
2021		1,207	56.2	21.4	19.8	10.0	9.8	34.9	33.4	98.5	1.5
2022		1,327	57.0	20.5	20.1	10.3	9.7	41.6	40.1	98.6	1.4
2023		1,412	56.3	20.3	20.1	10.4	9.8	42.2	39.9	97.7	2.3
2024		1,478	56.1	20.1	20.3	10.5	9.9	42.8	40.2	97.5	2.5

**Seasonally and Working Day Adjusted.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Level, 2015=100

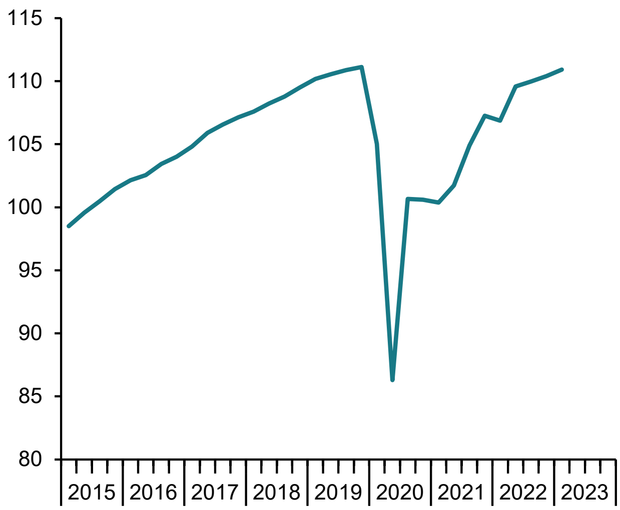


Chart 1.2 - Contribution to GDP annual growth

Percentage points

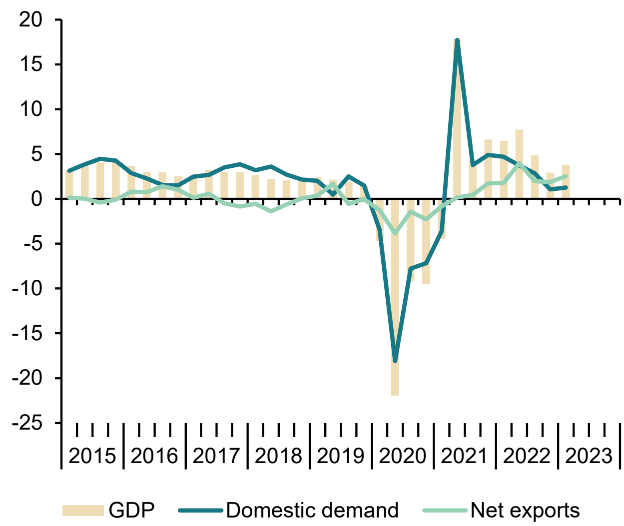


Chart 1.3 - Consumption

Level, 2015=100

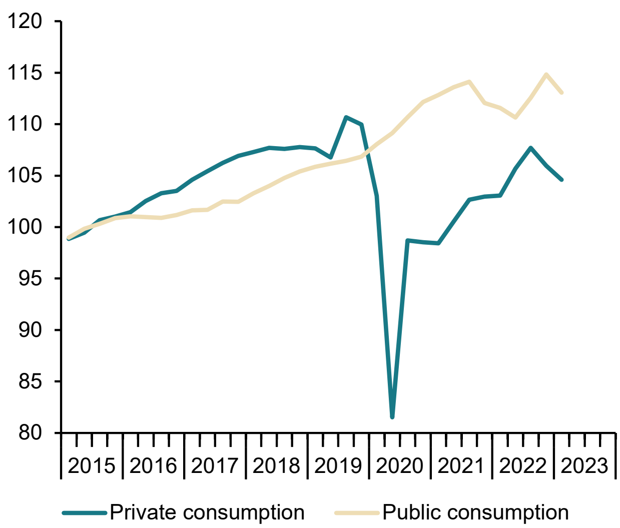


Chart 1.4 - Gross fixed capital formation

Level, 2015=100

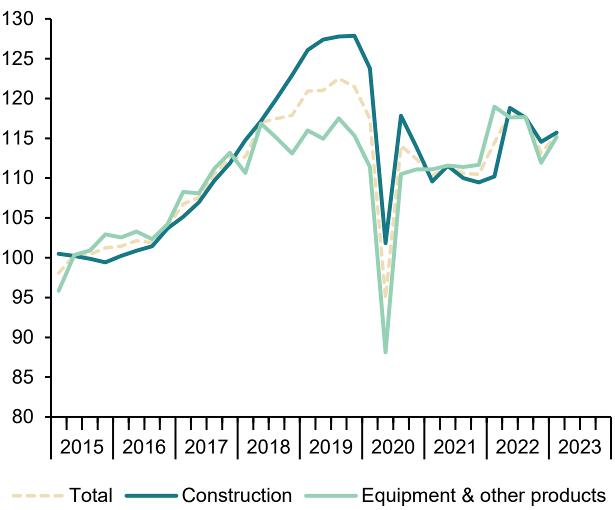


Table 2

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										
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		2.3	7.5	0.0	-1.1	2.3	2.6	1.6	2.9	2.1
2019		2.1	-5.9	1.5	0.5	4.3	2.3	1.5	2.6	1.0
2020		-11.4	4.5	-13.1	-15.4	-13.2	-11.4	-1.4	-14.6	-10.8
2021		5.4	2.1	6.6	8.9	-3.0	6.0	1.1	7.8	6.7
2022		5.5	-1.1	3.0	3.8	4.1	6.5	-1.4	9.2	4.6
2021	II	17.9	0.0	27.5	36.1	13.3	17.3	3.2	23.4	17.6
	III	4.1	2.5	0.4	3.0	-8.2	6.0	1.2	7.7	5.3
	IV	6.4	1.8	3.2	4.0	-4.1	8.2	-1.3	11.7	8.7
2022	I	6.2	4.2	2.4	4.4	0.3	7.6	-2.8	11.5	8.9
	II	7.9	-3.1	4.9	6.0	5.5	9.1	-2.5	13.3	6.4
	III	5.0	-2.7	3.8	3.3	5.9	5.5	-1.4	7.8	3.6
	IV	3.2	-2.4	0.8	1.7	4.8	3.9	1.0	4.8	0.0
2023	I	4.0	3.7	3.6	5.0	5.8	4.0	1.0	5.0	1.6
Chain-linked volumes. quarter-on-quarter percentage changes										
2021	II	1.2	1.2	0.0	0.7	-1.9	1.7	0.1	2.2	3.4
	III	3.2	0.4	1.4	3.6	-0.2	4.0	-0.7	5.7	1.7
	IV	2.2	4.1	3.3	2.0	0.9	2.0	-0.5	2.9	2.7
2022	I	-0.5	-1.4	-2.1	-1.9	1.6	-0.2	-1.7	0.2	0.8
	II	2.7	-5.9	2.4	2.2	3.1	3.1	0.4	3.9	1.0
	III	0.5	0.8	0.3	0.9	0.3	0.5	0.3	0.6	-0.9
	IV	0.5	4.4	0.3	0.5	-0.2	0.5	1.9	0.0	-0.9
2023	I	0.3	4.8	0.6	1.2	2.5	-0.1	-1.7	0.4	2.4
		Current prices EUR billions)	Percentage of value added at basic prices							
2016		1,011	3.1	16.2	12.4	5.9	74.9	18.4	56.5	10.2
2017		1,054	3.1	16.2	12.5	5.9	74.8	18.1	56.7	10.3
2018		1,089	3.0	16.0	12.2	5.9	75.0	18.1	56.9	10.5
2019		1,130	2.7	15.8	12.0	6.3	75.2	18.2	57.0	10.3
2020		1,020	3.1	16.0	12.1	6.1	74.8	20.3	54.5	9.6
2021		1,091	2.9	16.9	12.8	5.6	74.6	19.2	55.4	10.6
2022		1,207	2.6	17.6	12.8	5.2	74.5	17.7	56.8	10.0

** Seasonally and Working Day Adjusted.*

Source: INE.

Chart 2.1 - GVA by sectors

Level, 2015=100

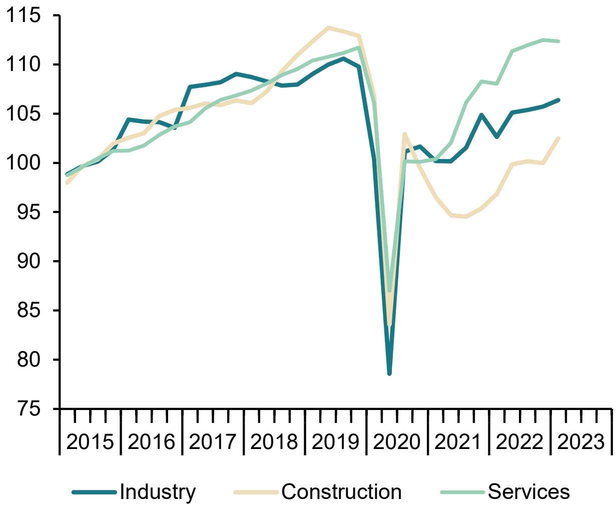


Chart 2.2 - GVA. Industry

Level, 2015=100

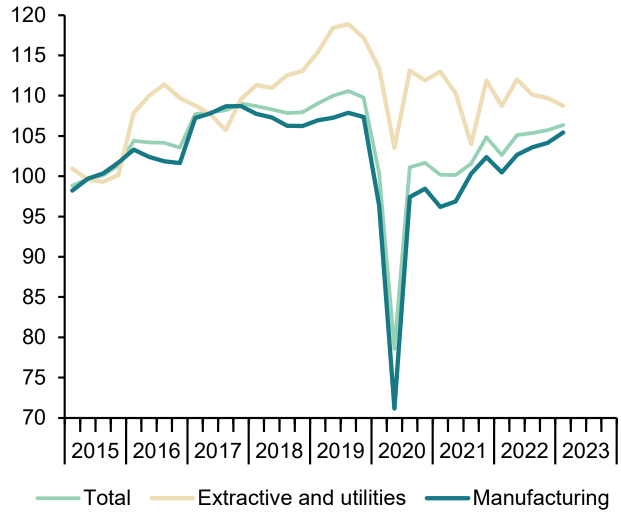


Chart 2.3 - GVA, services

Annual percentage change

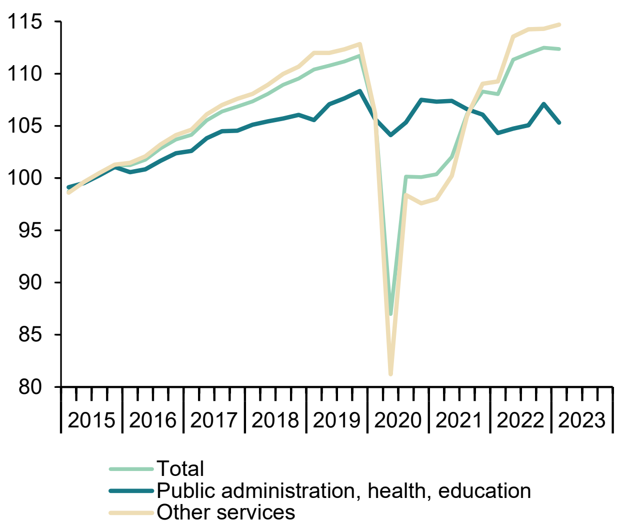


Chart 2.4 - GVA. structure by sectors

Percentage of value added at basic prices

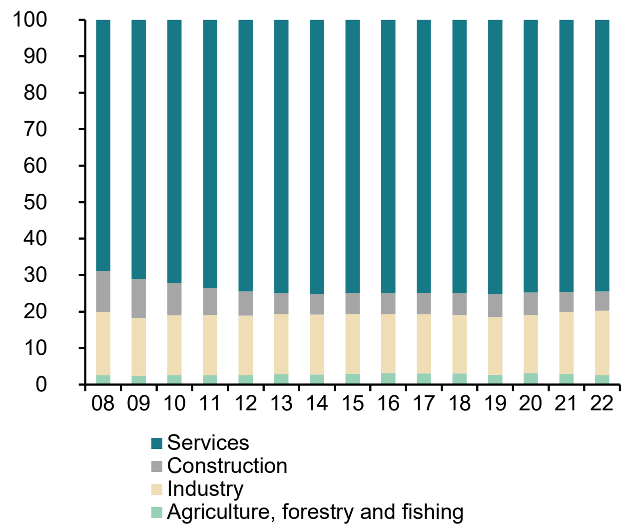


Table 3

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													
2016		103.0	102.8	100.2	99.4	99.2	98.8	102.3	103.5	98.9	100.1	101.3	100.5
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		108.5	108.1	100.4	101.9	101.5	98.6	106.9	108.7	98.3	102.7	104.5	102.4
2019		110.7	111.7	99.1	104.4	105.3	100.9	107.4	110.6	97.1	104.3	107.4	103.3
2020		98.1	104.0	94.3	106.9	113.3	107.2	90.8	105.7	85.9	105.3	122.6	110.1
2021		103.6	110.9	93.4	106.2	113.7	105.2	98.9	107.7	91.8	105.7	115.1	99.6
2022		109.2	115.1	94.9	108.3	114.1	101.3	102.7	110.7	92.8	107.1	115.5	93.5
2023		110.9	116.3	95.3	112.1	117.6	99.6	--	--	--	--	--	--
2024		112.4	117.4	95.8	115.9	121.0	99.2	--	--	--	--	--	--
2021	II	101.7	109.1	93.2	105.4	113.1	105.9	96.9	107.9	89.8	105.2	117.2	102.6
	III	104.9	112.7	93.0	106.5	114.5	105.9	100.3	107.4	93.4	109.5	117.2	100.6
	IV	107.3	113.8	94.3	106.3	112.7	102.1	102.4	110.0	93.0	105.8	113.8	96.9
2022	I	106.9	113.7	94.0	106.3	113.1	102.1	100.5	107.9	93.1	102.4	110.0	92.3
	II	109.6	114.7	95.5	107.3	112.3	101.0	102.7	111.9	91.8	105.7	115.2	94.7
	III	110.0	115.9	94.9	109.0	114.9	101.9	103.6	111.0	93.4	110.4	118.3	95.0
	IV	110.4	116.1	95.1	110.6	116.2	100.1	104.1	112.2	92.9	109.8	118.3	92.0
2023	I	110.9	116.3	95.4	110.1	115.4	98.1	105.4	111.9	94.2	104.6	111.0	85.2
Annual percentage changes													
2016		3.0	2.8	0.2	-0.6	-0.8	-1.2	2.3	3.5	-1.1	0.1	1.3	0.5
2017		3.0	2.9	0.1	0.7	0.6	-0.7	5.7	3.0	2.6	1.4	-1.1	-0.4
2018		2.3	2.2	0.1	1.8	1.7	0.5	-1.1	2.0	-3.1	1.1	4.3	2.3
2019		2.0	3.3	-1.3	2.4	3.8	2.3	0.5	1.7	-1.2	1.6	2.8	0.8
2020		-11.3	-6.8	-4.8	2.4	7.6	6.3	-15.4	-4.4	-11.5	1.0	14.1	6.6
2021		5.5	6.6	-1.0	-0.7	0.3	-1.9	8.9	1.9	6.9	0.4	-6.1	-9.5
2022		5.5	3.8	1.6	2.0	0.4	-3.7	3.8	2.8	1.0	1.3	0.3	-6.2
2023		1.5	1.1	0.5	3.5	3.0	-1.7	--	--	--	--	--	--
2024		1.4	0.9	0.5	3.4	2.9	-0.4	--	--	--	--	--	--
2021	II	17.9	18.9	-0.9	-3.7	-2.8	-4.1	36.1	11.3	22.2	1.0	-17.4	-14.7
	III	4.2	6.4	-2.0	-0.5	1.5	-0.6	3.0	1.6	1.3	2.2	0.8	-3.6
	IV	6.6	6.0	0.6	-0.3	-0.9	-4.5	4.0	1.9	2.0	-0.1	-2.1	-6.8
2022	I	6.5	5.2	1.2	-0.1	-1.2	-4.7	4.4	2.1	2.3	0.1	-2.1	-6.3
	II	7.7	5.1	2.5	1.8	-0.7	-4.6	6.0	3.7	2.2	0.5	-1.6	-7.7
	III	4.8	2.8	1.9	2.3	0.4	-3.8	3.3	3.4	-0.1	0.8	0.9	-5.7
	IV	2.9	2.0	0.9	4.0	3.1	-1.9	1.7	1.9	-0.2	3.8	3.9	-5.1
2023	I	3.8	2.3	1.5	3.6	2.0	-3.9	5.0	3.7	1.2	2.1	0.8	-7.8

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

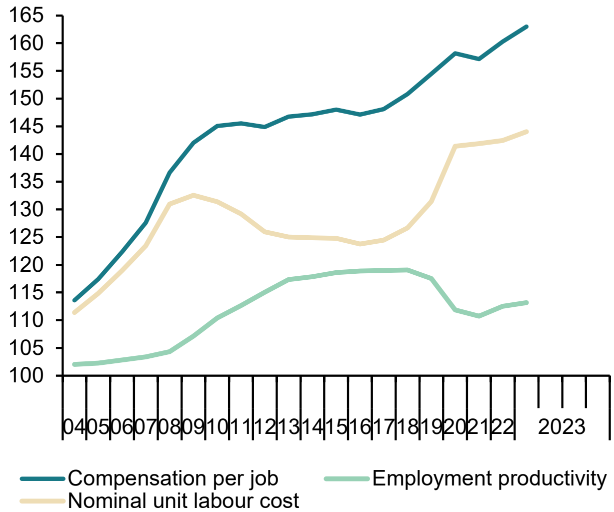
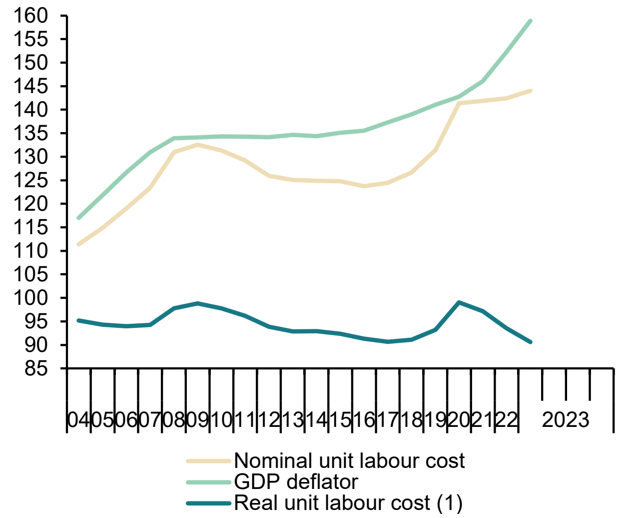


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

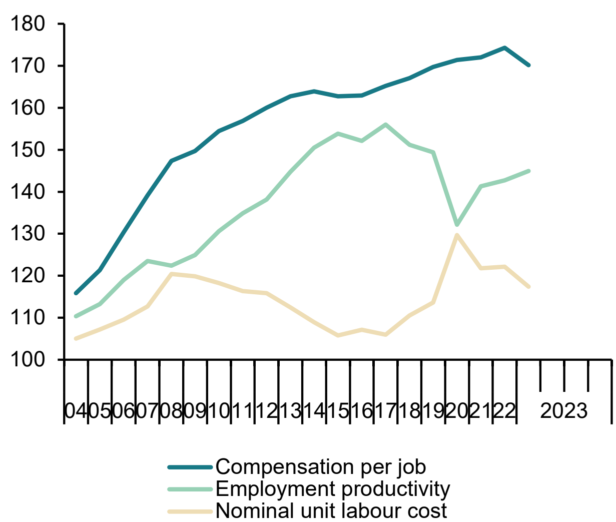
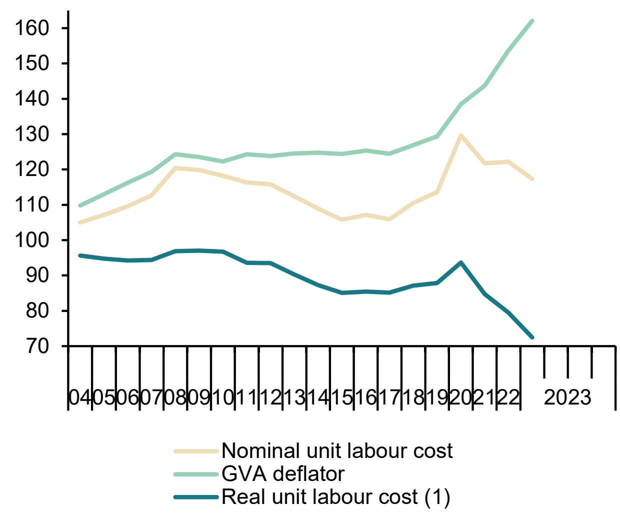


Chart 3.4 - Real ULC, manufacturing industry

Index. 2000=100



(1) Nominal ULC deflated by 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					
2016		1,114.4	503.7	496.4	1,105.4	861.1	244.2	208.9	45.2	44.5	21.9	18.7	3.2	3.4
2017		1,162.5	523.7	519.0	1,152.8	895.1	257.7	225.5	45.0	44.6	22.2	19.4	2.8	3.0
2018		1,203.9	545.7	532.0	1,193.8	924.8	269.0	246.4	45.3	44.2	22.3	20.5	1.9	2.4
2019		1,245.5	579.4	538.5	1,235.1	949.5	285.7	259.4	46.5	43.2	22.9	20.8	2.1	2.4
2020		1,118.0	555.7	460.4	1,108.5	873.6	234.8	228.1	49.7	41.2	21.0	20.4	0.6	1.1
2021		1,206.8	585.0	496.3	1,200.5	937.4	263.1	251.5	48.5	41.1	21.8	20.8	1.0	1.9
2022		1,327.1	622.7	572.8	1,316.2	1,029.3	286.9	279.1	46.9	43.2	21.6	21.0	0.6	1.5
2023		1,411.9	652.0	606.7	1,398.4	1,081.9	316.5	297.0	46.2	43.0	22.4	21.0	1.4	1.9
2024		1,478.1	681.3	631.2	1,461.3	1,127.4	333.9	313.5	46.1	42.7	22.6	21.2	1.4	1.7
2021	II	1,157.6	568.8	473.9	1,149.0	906.7	242.4	237.0	49.1	40.9	20.9	20.5	0.5	1.3
	III	1,176.1	577.0	477.9	1,168.1	919.8	248.3	240.9	49.1	40.6	21.1	20.5	0.6	1.7
	IV	1,206.8	585.0	496.3	1,200.4	937.4	263.0	251.5	48.5	41.1	21.8	20.8	1.0	1.9
2022	I	1,236.8	593.7	511.2	1,232.8	958.4	274.4	258.8	48.0	41.3	22.2	20.9	1.3	1.5
	II	1,272.4	604.7	531.0	1,264.0	982.5	281.5	267.0	47.5	41.7	22.1	21.0	1.1	1.5
	III	1,301.0	612.9	549.7	1,292.8	1,008.1	284.7	273.4	47.1	42.3	21.9	21.0	0.9	1.4
	IV	1,327.1	622.7	572.8	1,316.2	1,029.3	286.9	279.1	46.9	43.2	21.6	21.0	0.6	1.5
2023	I	1,359.6	632.2	593.9	--	1,044.6	--	279.9	46.5	43.7	--	20.6	--	--
		Annual percentage changes							Difference from one year ago					
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	4.2	2.5	3.6	3.3	4.4	9.3	0.3	-0.5	0.2	1.1	-0.9	-0.7
2019		3.5	6.2	1.2	3.5	2.7	6.2	5.3	1.2	-1.0	0.6	0.4	0.2	0.1
2020		-10.2	-4.1	-14.5	-10.3	-8.0	-17.8	-12.1	3.2	-2.1	-1.9	-0.4	-1.5	-1.4
2021		7.9	5.3	7.8	8.3	7.3	12.0	10.3	-1.2	-0.1	0.8	0.4	0.3	0.8
2022		10.0	6.5	15.4	9.6	9.8	9.0	11.0	-1.5	2.0	-0.2	0.2	-0.4	-0.4
2023		6.4	4.7	5.9	6.2	5.1	10.3	6.4	-0.7	-0.2	0.8	0.0	0.8	0.4
2024		4.7	4.5	4.0	4.5	4.2	5.5	5.5	-0.1	-0.3	0.2	0.2	0.0	-0.2
2021	II	-1.0	0.6	-4.0	-0.9	0.0	-4.2	-1.8	0.8	-1.3	-0.7	-0.2	-0.5	-0.5
	III	2.8	3.0	-0.4	3.0	3.4	1.5	2.3	0.1	-1.3	-0.3	-0.1	-0.2	0.6
	IV	7.9	5.3	7.8	8.3	7.3	12.0	10.3	-1.2	-0.1	0.8	0.4	0.3	0.8
2022	I	11.4	7.3	12.1	12.1	10.2	19.7	14.1	-1.8	0.3	1.5	0.5	1.0	0.4
	II	9.9	6.3	12.0	10.0	8.4	16.2	12.6	-1.6	0.8	1.2	0.5	0.7	0.3
	III	10.6	6.2	15.0	10.7	9.6	14.7	13.5	-1.9	1.6	0.8	0.5	0.2	-0.3
	IV	10.0	6.5	15.4	9.6	9.8	9.1	11.0	-1.5	2.0	-0.2	0.2	-0.4	-0.4
2023	I	9.9	6.5	16.2	--	9.0	--	8.1	-1.5	2.3	--	-0.3	--	--

(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

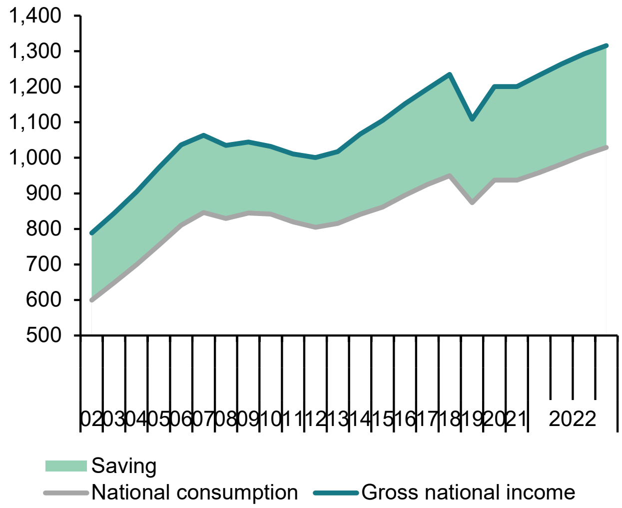


Chart 4.2 - National income, consumption and saving rate

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

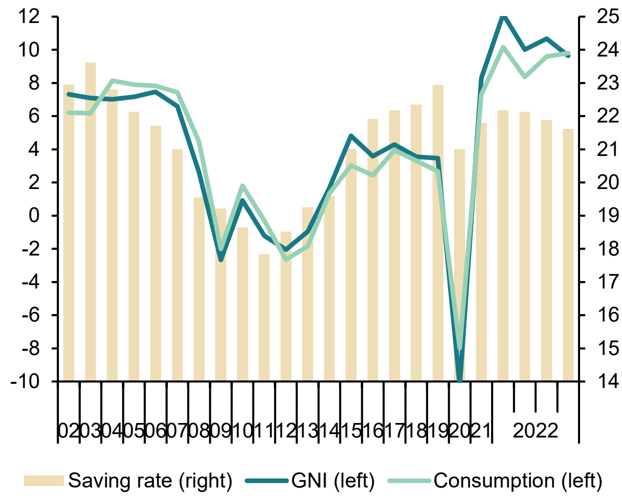


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

Chart 4.4 - Saving. Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

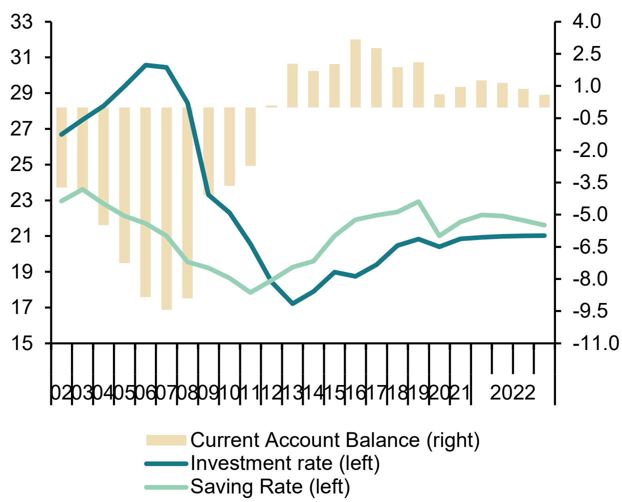


Table 5

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		
2016		700.6	648.3	49.2	31.8	7.0	2.9	1.4	255.0	195.8	149.0	17.6	13.4	4.4
2017		723.0	678.1	41.8	36.8	5.8	3.2	0.2	267.0	200.4	160.4	17.2	13.8	3.7
2018		743.6	699.5	41.2	40.7	5.5	3.4	-0.1	271.1	199.7	176.7	16.6	14.7	2.2
2019		780.9	714.5	63.6	43.4	8.1	3.5	1.5	275.7	202.8	186.2	16.3	15.0	1.6
2020		765.7	627.3	134.5	40.8	17.6	3.6	8.4	214.2	148.6	150.1	13.3	13.4	0.2
2021		789.3	678.8	108.3	52.2	13.7	4.3	4.8	236.6	163.1	161.2	13.5	13.4	0.8
2022		817.5	756.9	58.5	59.3	7.2	4.5	-0.1	294.1	209.1	171.4	15.8	12.9	3.4
2023		853.8	794.7	56.8	54.5	6.7	3.9	0.2	320.6	221.3	189.3	15.7	13.4	2.5
2024		889.4	829.8	57.4	48.0	6.5	3.2	0.6	337.1	242.7	210.0	16.4	14.2	2.4
2021	I	764.1	616.2	144.1	43.0	18.9	3.9	9.1	210.7	146.2	149.4	13.2	13.5	0.2
	II	776.6	650.6	122.0	44.4	15.7	3.8	6.6	223.1	152.8	156.4	13.2	13.5	0.1
	III	779.7	659.6	117.5	45.6	15.1	3.9	6.2	224.0	155.7	155.5	13.2	13.2	0.5
	IV	789.3	678.8	108.3	52.2	13.7	4.3	4.8	236.6	163.1	161.2	13.5	13.4	0.8
2022	I	794.5	704.3	87.7	57.4	11.0	4.6	2.6	248.8	174.5	160.3	14.1	12.9	1.8
	II	805.5	725.6	77.8	63.9	9.7	5.0	1.2	261.2	178.4	160.3	14.0	12.6	2.1
	III	808.6	746.2	60.1	63.9	7.4	4.9	-0.2	277.1	192.7	168.1	14.8	12.9	2.5
	IV	817.5	756.9	58.5	59.3	7.2	4.5	-0.1	294.1	209.1	171.4	15.8	12.9	3.4
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
2016		2.7	2.9	0.5	4.2	-0.2	0.0	-0.3	5.6	5.6	6.1	0.4	0.3	-0.1
2017		3.2	4.6	-15.2	15.7	-1.2	0.3	-1.2	4.7	2.4	7.6	-0.3	0.4	-0.7
2018		2.8	3.2	-1.3	10.6	-0.2	0.2	-0.3	1.5	-0.3	10.2	-0.7	0.9	-1.5
2019		5.0	2.2	54.2	6.8	2.6	0.1	1.7	1.7	1.5	5.4	-0.3	0.3	-0.6
2020		-2.0	-12.2	111.5	-6.1	9.4	0.2	6.9	-22.3	-26.7	-19.4	-3.0	-1.5	-1.3
2021		3.1	8.2	-19.5	28.0	-3.8	0.7	-3.6	10.5	9.8	7.4	0.2	-0.1	0.6
2022		3.6	11.5	-46.0	13.7	-6.6	0.1	-4.9	24.3	28.2	6.3	2.2	-0.4	2.6
2023		4.4	5.0	-2.8	-8.0	-0.5	-0.6	0.3	9.0	5.8	10.4	-0.1	0.5	-0.9
2024		4.2	4.4	0.9	-12.0	-0.2	-0.6	0.5	5.2	9.7	11.0	0.7	0.8	-0.1
2021	I	-2.8	-12.5	83.5	-3.3	8.9	0.3	6.5	-20.0	-22.5	-17.0	-2.1	-1.1	-0.7
	II	1.2	-1.8	19.2	5.2	2.4	0.2	1.6	-6.8	-14.7	-5.2	-2.1	-0.6	-1.2
	III	1.2	1.8	-1.2	6.2	-0.4	0.1	-0.4	-1.7	-3.5	-0.8	-0.8	-0.5	-0.1
	IV	3.1	8.2	-19.5	28.0	-3.8	0.7	-3.6	10.5	9.8	7.4	0.2	-0.1	0.6
2022	I	4.0	14.3	-39.2	33.6	-7.8	0.8	-6.6	18.0	19.3	7.3	0.9	-0.5	1.6
	II	3.7	11.5	-36.2	44.0	-6.1	1.2	-5.4	17.1	16.8	2.5	0.8	-0.9	2.0
	III	3.7	13.1	-48.9	40.2	-7.6	1.0	-6.4	23.7	23.8	8.1	1.6	-0.3	2.0
	IV	3.6	11.5	-46.0	13.7	-6.6	0.1	-4.9	24.3	28.2	6.3	2.2	-0.4	2.6

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

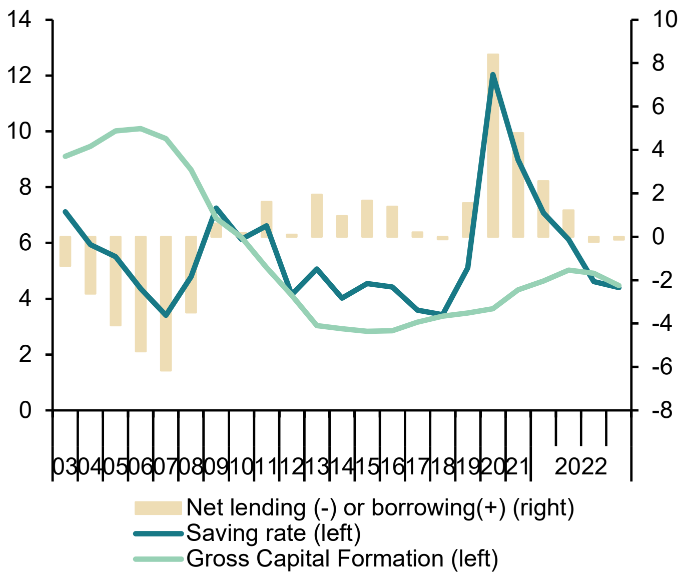


Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

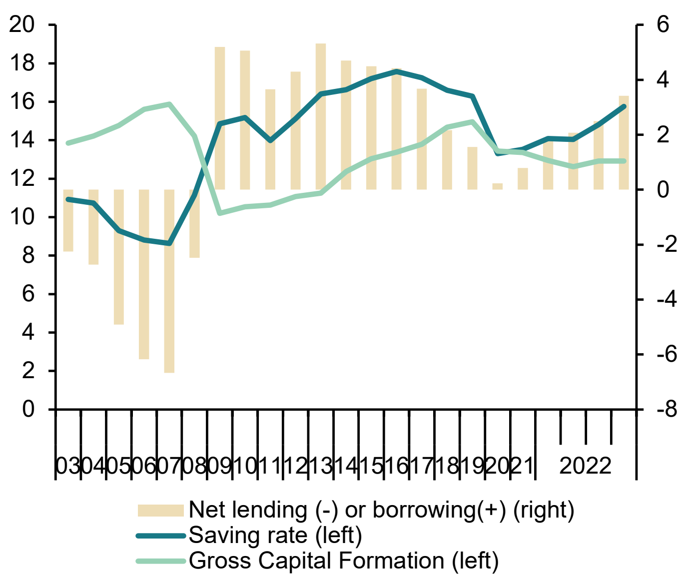


Table 6

National accounts: Public revenue. expenditure and deficit

Forecasts in yellow

		Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)
		Taxes on production 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
		EUR Billions. 4-quarter cumulated operations												
2016		128.9	110.0	135.6	50.9	425.3	121.5	59.2	30.7	203.0	30.3	28.4	473.2	-47.9
2017		135.1	116.9	142.4	49.6	444.0	123.5	60.5	29.3	207.4	31.5	28.1	480.3	-36.2
2018		141.2	127.3	149.5	54.2	472.1	127.7	62.6	29.3	216.6	37.4	29.8	503.4	-31.2
2019		143.0	129.1	160.7	55.7	488.5	134.8	65.2	28.4	229.6	37.2	31.6	526.7	-38.1
2020		126.7	125.3	162.2	53.3	467.6	140.6	67.0	25.1	262.2	44.3	41.5	580.8	-113.2
2021		146.7	143.4	171.7	66.2	527.9	147.6	71.8	26.1	263.6	59.9	42.0	610.9	-82.9
2022		160.2	164.6	180.0	65.8	570.5	153.8	78.7	31.6	266.9	52.6	50.7	634.3	-63.8
2023		171.3	173.2	186.9	63.6	595.0	160.7	85.3	36.6	284.5	54.2	37.6	658.9	-63.9
2024		180.7	180.7	195.2	62.8	619.5	165.6	90.4	40.5	298.2	55.9	32.4	683.1	-63.6
2021	I	126.7	126.1	164.1	52.5	469.4	142.5	68.2	25.3	267.4	46.6	43.0	593.1	-123.7
	II	136.7	132.2	166.4	56.1	491.5	144.9	69.5	25.4	260.8	47.2	40.0	587.8	-96.3
	III	142.2	133.7	169.6	61.3	506.8	146.5	70.6	25.3	261.5	53.2	40.5	597.5	-90.7
	IV	146.7	143.4	171.7	66.2	527.9	147.6	71.8	26.1	263.6	59.9	42.0	610.9	-82.9
2022	I	153.2	147.2	173.3	66.4	540.0	148.8	73.4	26.3	262.9	55.6	40.9	608.1	-68.0
	II	158.1	151.9	175.7	68.2	553.9	149.7	74.7	28.0	263.4	57.3	42.6	615.7	-61.8
	III	161.4	160.4	177.5	67.8	567.1	151.1	76.8	29.4	265.3	53.0	45.6	621.0	-53.9
	IV	160.2	164.6	180.0	65.8	570.5	153.8	78.7	31.6	266.9	52.6	50.7	634.3	-63.8
		Percentage of GDP. 4-quarter cumulated operations												
2016		11.6	9.9	12.2	4.6	38.2	10.9	5.3	2.8	18.2	2.7	2.6	42.5	-4.3
2017		11.6	10.1	12.3	4.3	38.2	10.6	5.2	2.5	17.8	2.7	2.4	41.3	-3.1
2018		11.7	10.6	12.4	4.5	39.2	10.6	5.2	2.4	18.0	3.1	2.5	41.8	-2.6
2019		11.5	10.4	12.9	4.5	39.2	10.8	5.2	2.3	18.4	3.0	2.5	42.3	-3.1
2020		11.3	11.2	14.5	4.8	41.8	12.6	6.0	2.2	23.5	4.0	3.7	51.9	-10.1
2021		12.2	11.9	14.2	5.5	43.7	12.2	6.0	2.2	21.8	5.0	3.5	50.6	-6.9
2022		12.1	12.4	13.6	5.0	43.0	11.6	5.9	2.4	20.1	4.0	3.8	47.8	-4.8
2023		12.1	12.3	13.2	4.5	42.1	11.4	6.0	2.6	20.1	3.8	2.7	46.7	-4.5
2024		12.2	12.2	13.2	4.2	41.9	11.2	6.1	2.7	20.2	3.8	2.2	46.2	-4.3
2021	I	11.4	11.4	14.8	4.7	42.3	12.8	6.1	2.3	24.1	4.2	3.9	53.4	-11.1
	II	11.8	11.4	14.4	4.9	42.5	12.5	6.0	2.2	22.5	4.1	3.5	50.8	-8.3
	III	12.1	11.4	14.4	5.2	43.1	12.5	6.0	2.1	22.2	4.5	3.4	50.8	-7.7
	IV	12.2	11.9	14.2	5.5	43.7	12.2	6.0	2.2	21.8	5.0	3.5	50.6	-6.9
2022	I	12.4	11.9	14.0	5.4	43.7	12.0	5.9	2.1	21.3	4.5	3.3	49.2	-5.5
	II	12.4	11.9	13.8	5.4	43.5	11.8	5.9	2.2	20.7	4.5	3.3	48.4	-4.9
	III	12.4	12.3	13.6	5.2	43.6	11.6	5.9	2.3	20.4	4.1	3.5	47.7	-4.1
	IV	12.1	12.4	13.6	5.0	43.0	11.6	5.9	2.4	20.1	4.0	3.8	47.8	-4.8

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue. expenditure and deficit

Percentage of GDP, 4-quarter moving averages

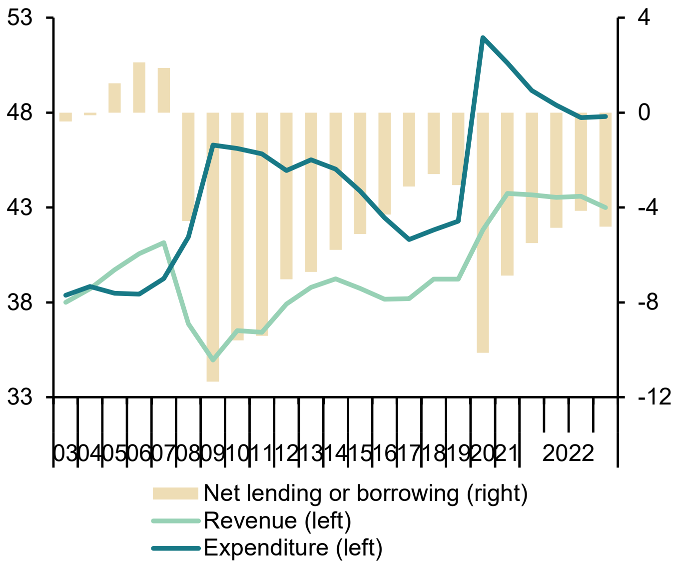


Chart 6.2 - Public sector: Main expenditures

Percentage of GDP, 4-quarter moving averages

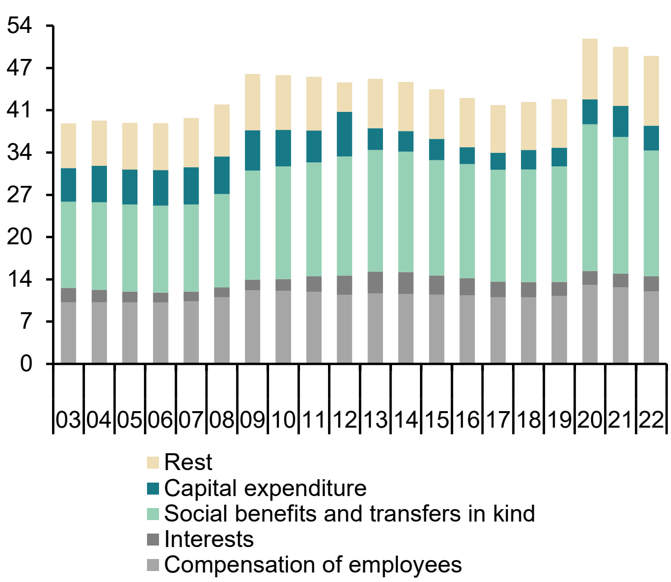


Table 7

Public sector balances. by level of Government

Forecasts in yellow

		Net lending (+)/ net borrowing (-)					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				
2016		-28.0	-9.5	7.0	-17.4	-47.9	1,008.9	277.0	32.2	17.2	1,145.1
2017		-22.0	-4.2	6.7	-16.8	-36.2	1,049.8	288.1	29.0	27.4	1,183.4
2018		-17.0	-3.3	6.3	-17.3	-31.2	1,082.8	293.4	25.8	41.2	1,208.9
2019		-18.8	-7.3	3.8	-15.9	-38.1	1,095.8	295.1	23.2	55.0	1,223.4
2020		-85.7	-2.0	2.8	-28.3	-113.2	1,206.6	304.0	22.0	85.4	1,345.8
2021		-73.7	-0.6	3.5	-12.0	-82.9	1,280.0	312.6	22.1	97.2	1,427.2
2022		-41.1	-15.1	-1.6	-6.0	-63.8	1,358.8	316.9	23.0	106.2	1,502.5
2023		--	--	--	--	-63.9	--	--	--	--	1,566.9
2024		--	--	--	--	-63.6	--	--	--	--	1,631.0
2021	I	-95.6	-3.0	3.1	-28.2	-123.7	1,247.8	307.7	22.1	85.4	1,393.1
	II	-74.8	-3.1	3.8	-22.1	-96.3	1,273.4	312.0	22.7	91.9	1,424.7
	III	-85.4	4.7	3.6	-13.6	-90.7	1,281.4	312.3	22.3	91.9	1,432.3
	IV	-73.7	-0.6	3.5	-12.0	-82.9	1,280.0	312.6	22.1	97.2	1,427.2
2022	I	-63.0	3.3	2.9	-11.2	-68.0	1,306.6	309.7	22.4	99.2	1,453.8
	II	-59.9	-0.2	2.3	-4.1	-61.8	1,325.7	316.7	22.8	99.2	1,475.0
	III	-32.5	-14.5	-1.5	-5.4	-53.9	1,359.0	314.8	22.3	99.2	1,503.8
	IV	-41.1	-15.1	-1.6	-6.0	-63.8	1,358.8	316.9	23.0	106.2	1,502.5
		Percentage of GDP. 4-quarter cumulated operations					Percentage of GDP				
2016		-2.5	-0.9	0.6	-1.6	-4.3	90.5	24.9	2.9	1.5	102.7
2017		-1.9	-0.4	0.6	-1.4	-3.1	90.3	24.8	2.5	2.4	101.8
2018		-1.4	-0.3	0.5	-1.4	-2.6	89.9	24.4	2.1	3.4	100.4
2019		-1.5	-0.6	0.3	-1.3	-3.1	88.0	23.7	1.9	4.4	98.2
2020		-7.7	-0.2	0.2	-2.5	-10.1	107.9	27.2	2.0	7.6	120.4
2021		-6.1	-0.1	0.3	-1.0	-6.9	106.1	25.9	1.8	8.1	118.3
2022		-3.1	-1.1	-0.1	-0.5	-4.8	102.4	23.9	1.7	8.0	113.2
2023		--	--	--	--	-4.5	--	--	--	--	111.0
2024		--	--	--	--	-4.3	--	--	--	--	110.3
2021	I	-8.6	-0.3	0.3	-2.5	-11.1	112.4	27.7	2.0	7.7	125.5
	II	-6.5	-0.3	0.3	-1.9	-8.3	110.0	27.0	2.0	7.9	123.1
	III	-7.3	0.4	0.3	-1.2	-7.7	108.9	26.6	1.9	7.8	121.8
	IV	-6.1	-0.1	0.3	-1.0	-6.9	106.1	25.9	1.8	8.1	118.3
2022	I	-5.1	0.3	0.2	-0.9	-5.5	105.6	25.0	1.8	8.0	117.5
	II	-4.7	0.0	0.2	-0.3	-4.9	104.2	24.9	1.8	7.8	115.9
	III	-2.5	-1.1	-0.1	-0.4	-4.1	104.5	24.2	1.7	7.6	115.6
	IV	-3.1	-1.1	-0.1	-0.5	-4.8	102.4	23.9	1.7	8.0	113.2

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

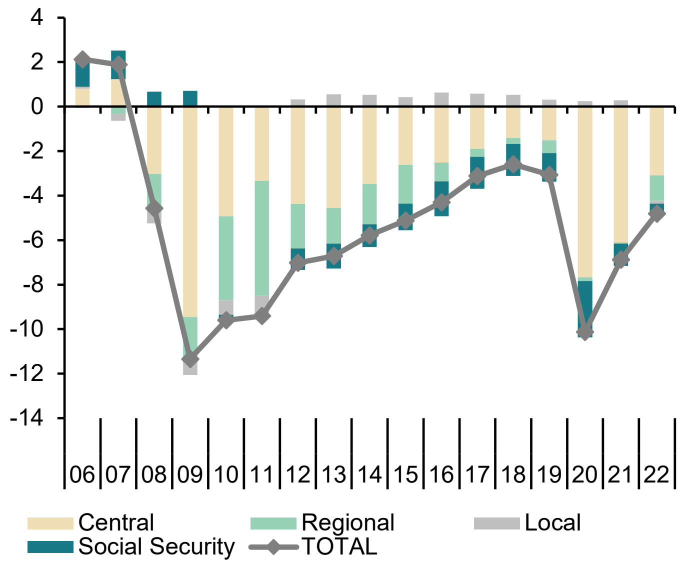


Chart 7.2 - Government debt

Percent of GDP

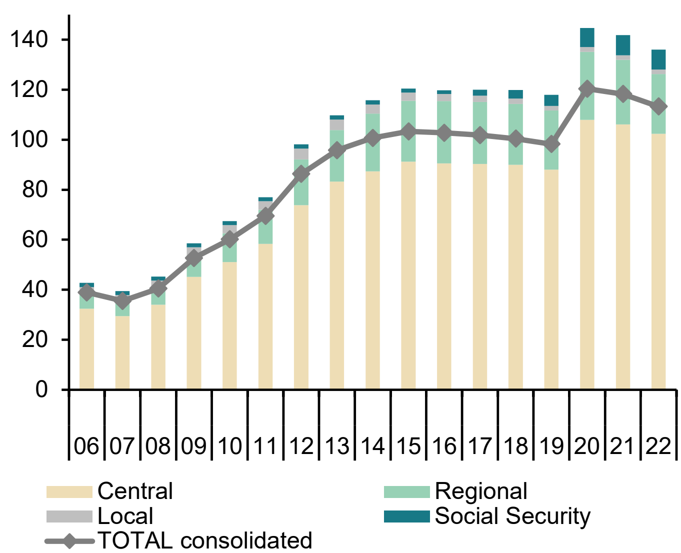


Table 8

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 (g)	Industrial orders
		Index	Index	Thousands	1,000 GWH, monthly average	2015=100	Thousands	Index	Balance of responses	2015=100 (smoothed)	Balance of responses
2015		107.8	56.7	16,641.8	20.9	100.0	2,067.3	53.6	-0.6	100.0	-5.4
2016		106.0	54.9	17,157.5	21.0	101.8	2,124.7	53.1	-2.1	102.7	-5.4
2017		109.2	56.2	17,789.6	21.4	105.1	2,191.0	54.8	1.4	107.1	2.2
2018		108.0	54.6	18,364.5	21.5	105.3	2,250.9	53.3	-0.5	108.4	-0.2
2019		104.7	52.7	18,844.1	20.9	106.1	2,283.2	49.1	-3.6	108.9	-5.1
2020		89.8	41.5	18,440.5	19.9	95.9	2,239.3	47.5	-13.6	98.8	-30.0
2021		105.1	55.3	18,910.0	20.4	102.9	2,270.4	57.0	0.6	104.3	-1.8
2022		101.3	51.8	19,663.0	19.6	105.9	2,324.3	51.0	-0.9	103.8	1.4
2023 (b)		101.3	55.5	19,861.3	20.7	106.2	2,337.0	49.8	-3.5	101.2	-7.6
2021	III	109.0	59.6	19,020.8	20.1	101.6	2,278.4	58.8	2.5	104.1	-0.5
	IV	109.6	56.6	19,262.0	20.3	105.0	2,295.3	56.9	5.2	105.1	7.0
2022	I	108.5	52.5	19,477.6	19.9	105.1	2,311.9	55.8	6.8	102.1	11.5
	II	101.7	55.0	19,644.9	19.9	106.5	2,320.0	53.2	0.4	105.6	7.0
	III	97.1	50.5	19,712.1	19.5	106.3	2,329.1	49.2	-5.2	104.5	-4.5
	IV	97.9	49.1	19,814.2	19.0	105.9	2,336.2	45.6	-5.3	103.0	-8.2
2023	I	100.5	55.2	19,988.4	19.1	106.8	2,349.0	50.1	-4.2	102.5	-8.4
	II (b)	103.6	56.3	20,178.5	18.5	--	2,358.5	49.0	-1.4	--	-5.3
2023	Feb	99.8	55.7	19,979.7	19.3	106.5	2,348.7	50.7	-5.8	103.2	-8.7
	Mar	99.9	58.2	20,080.9	19.1	108.1	2,352.9	51.3	-3.2	101.7	-3.6
	Apr	103.6	56.3	20,178.5	18.5	--	2,358.5	49.0	-1.4	--	-5.3
					Percentage changes (c)						
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	--	--	4.2	--
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		--	--	2.5	2.2	7.3	1.4	--	--	5.5	--
2022		--	--	4.0	-3.8	2.9	2.4	--	--	-0.5	--
2023 (d)		--	--	2.7	-4.3	1.5	1.6	--	--	0.3	--
2021	III	--	--	1.5	-1.5	-0.5	0.8	--	--	0.4	--
	IV	--	--	1.3	1.0	3.3	0.7	--	--	1.0	--
2022	I	--	--	1.1	-2.4	0.1	0.7	--	--	-2.9	--
	II	--	--	0.9	0.4	1.3	0.4	--	--	3.4	--
	III	--	--	0.3	-2.0	-0.2	0.4	--	--	-1.1	--
	IV	--	--	0.5	-2.9	-0.4	0.3	--	--	-1.5	--
2023	I	--	--	0.9	0.9	0.8	0.6	--	--	-0.4	--
	II (e)	--	--	1.0	-3.5	--	0.4	--	--	--	--
2023	Feb	--	--	0.4	1.4	0.7	0.1	--	--	0.5	--
	Mar	--	--	0.5	-1.1	1.5	0.2	--	--	-1.5	--
	Apr	--	--	0.5	-3.2	--	0.2	--	--	--	--

(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, 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. (g) Deflated by Funcas.

Sources: European Commision, S&P Global, M. of Labour, M. of Industry, National Statistics Institute, REE and Funcas.

Chart 8.1 - General activity indicators (I)

Level, 2009=100

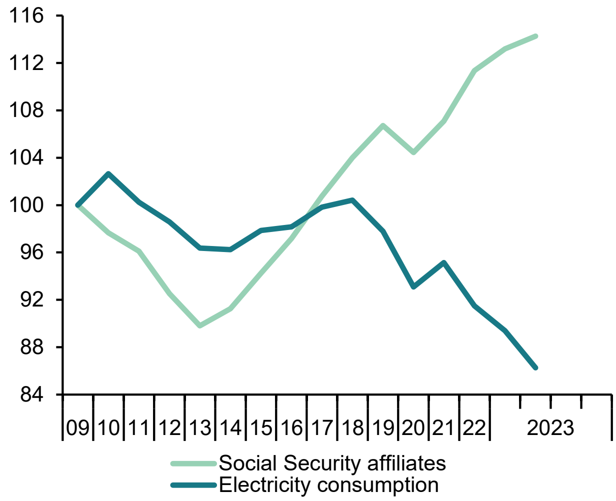


Chart 8.2 - General activity indicators (II)

Index

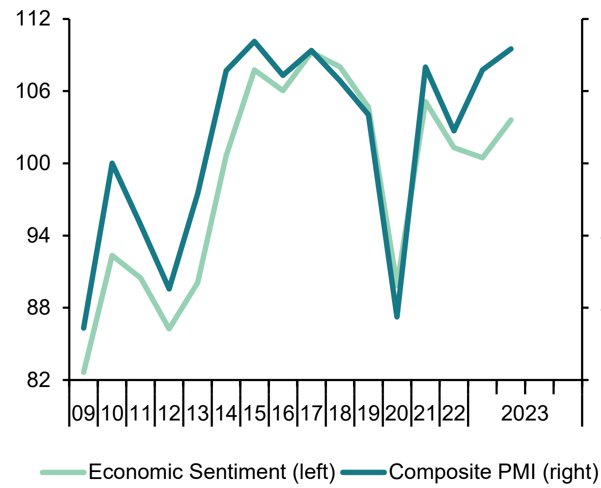


Chart 8.3 - Industrial sector indicators (I)

Level, 2009=100

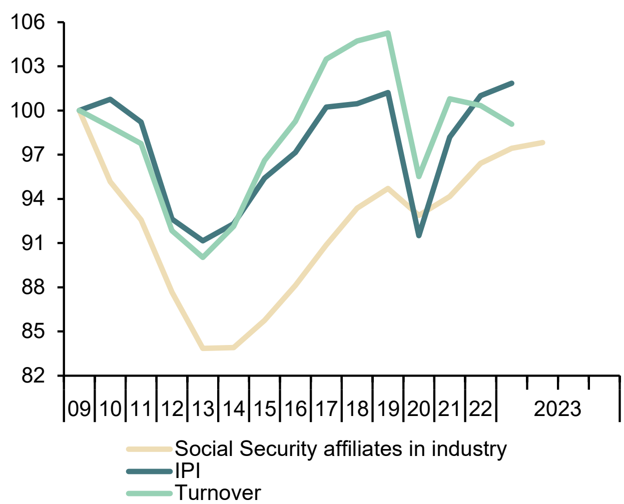


Chart 8.4 - Industrial sector indicators (II)

Index

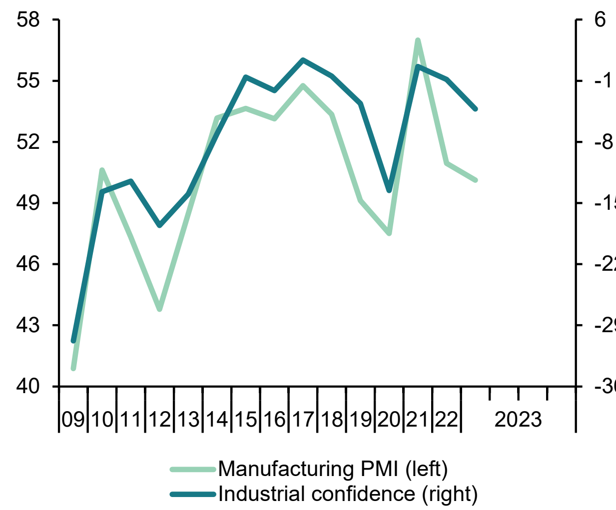


Table 9

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 deflated (h)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index
		Thousands	2015=100 (smoothed)	Balance of responses	EUR Billions, monthly average	Million m[2,] monthly average	Thousands	2015=100 (smoothed)	Index	Million, monthly average	Million, monthly average)	Balance of responses
2015		1,026.7	100.0	-26.6	0.8	0.8	12,432.3	103.5	57.3	25.7	17.2	18.9
2016		1,053.9	102.6	-39.1	0.8	1.1	12,851.6	109.2	55.0	27.6	19.1	18.2
2017		1,118.8	111.5	-25.1	1.1	1.3	13,338.2	114.5	56.4	28.4	20.7	22.9
2018		1,194.1	114.2	-6.0	1.4	1.6	13,781.3	119.2	54.8	28.3	21.9	21.2
2019		1,254.9	124.8	-7.7	1.4	1.7	14,169.1	122.8	53.9	28.6	23.1	13.9
2020		1,233.1	110.6	-17.4	1.1	1.3	13,849.2	102.7	40.3	7.7	6.3	-25.6
2021		1,288.6	124.3	-1.9	1.8	1.6	14,235.1	111.4	55.0	14.4	9.9	8.4
2022		1,333.8	126.1	8.9	2.4	1.7	14,926.3	119.9	52.5	26.7	20.2	12.4
2023 (b)		1,370.2	121.7	5.3	2.1	1.6	15,088.6	115.4	56.7	20.3	19.3	12.0
2021	III	1,295.1	124.5	-2.5	2.0	1.7	14,336.0	112.2	59.6	19.3	13.1	18.1
	IV	1,309.8	125.5	1.1	2.2	1.7	14,551.1	116.2	57.4	23.0	16.5	22.2
2022	I	1,323.6	126.9	4.8	1.8	1.8	14,748.2	118.0	52.2	22.2	16.4	17.5
	II	1,322.0	129.4	9.9	2.3	1.5	14,920.6	119.8	55.9	26.7	19.7	15.9
	III	1,334.5	122.6	5.9	2.4	1.5	14,973.5	120.1	51.0	27.8	21.0	10.2
	IV	1,355.9	125.8	14.8	3.1	1.8	15,059.3	121.6	50.8	28.3	22.5	6.0
2023	I	1,378.8	126.4	3.1	2.1	1.6	15,203.2	122.2	56.3	28.6	23.4	11.5
	II (b)	1,389.0	--	11.8	--	--	15,369.3	--	57.9	28.1	21.4	13.5
2023	Feb	1,378.1	124.5	11.9	1.5	1.7	15,197.7	121.1	56.7	28.7	23.5	11.4
	Mar	1,383.3	128.5	5.3	2.9	--	15,284.9	123.1	59.4	28.5	23.3	10.3
	Apr	1,389.0	--	11.8	--	--	15,369.3	--	57.9	28.1	21.4	13.5
		Percentage changes (c)										
2015		4.7	7.8	--	-28.2	42.6	3.6	6.9	--	4.4	6.0	--
2016		2.6	2.6	--	-1.7	29.0	3.4	5.5	--	7.4	11.0	--
2017		6.2	8.7	--	37.1	24.8	3.8	4.9	--	2.8	8.3	--
2018		6.7	2.4	--	30.8	24.5	3.3	4.1	--	-0.2	5.8	--
2019		5.1	9.2	--	1.8	1.3	2.8	3.0	--	0.9	5.3	--
2020		-1.7	-11.3	--	-22.5	-19.8	-2.3	-16.3	--	-73.1	-72.7	--
2021		4.5	12.3	--	69.9	22.7	2.8	8.5	--	87.4	57.8	--
2022		3.5	1.5	--	29.3	1.2	4.9	7.6	--	85.7	103.4	--
2023 (d)		4.5	-0.2	--	15.8	-0.8	3.1	3.9	--	20.9	32.8	--
2021	III	0.9	-0.3	--	112.9	31.4	1.8	2.1	--	149.8	140.6	--
	IV	1.1	0.8	--	50.4	23.8	1.5	3.6	--	19.7	25.5	--
2022	I	1.1	1.1	--	35.6	20.1	1.4	1.6	--	-3.6	-0.4	--
	II	-0.1	2.0	--	22.0	-10.9	1.2	1.5	--	20.1	20.2	--
	III	1.0	-5.2	--	19.7	-9.7	0.4	0.2	--	4.3	6.7	--
	IV	1.6	2.6	--	40.7	7.2	0.6	1.3	--	1.7	7.2	--
2023	I	1.7	0.5	--	15.8	-0.4	1.0	0.5	--	1.0	3.7	--
	II (e)	0.7	--	--	--	--	1.1	--	--	-1.7	-8.4	--
2023	Feb	0.2	-1.4	--	12.8	8.2	0.5	-1.1	--	0.4	0.5	--
	Mar	0.4	3.2	--	68.0	--	0.6	1.7	--	-0.6	-1.0	--
	Apr	0.4	--	--	--	--	0.6	--	--	-1.4	-8.0	--

(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. (h) Deflated by Funcas.

Sources: European Commision, S&P Global, M. of Labour, M. of Public Works, National Statistics Institute, AENA, OFICEMEN, SEOPAN and Funcas.

Chart 9.1 - Construction indicators (I)

Level, 2009=100 and index

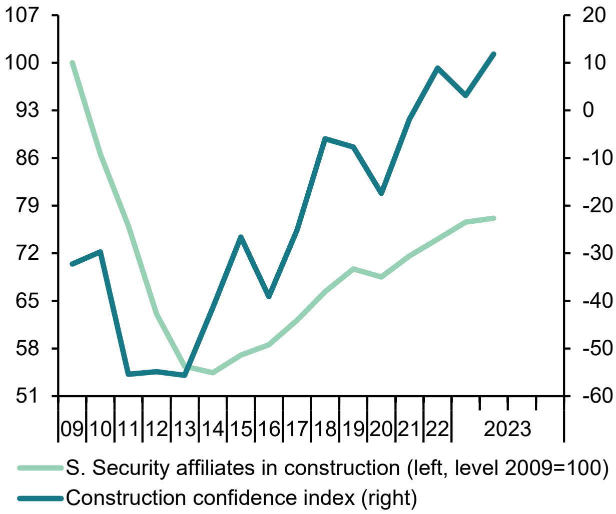


Chart 9.2 - Construction indicators (II)

Annual percentage changes

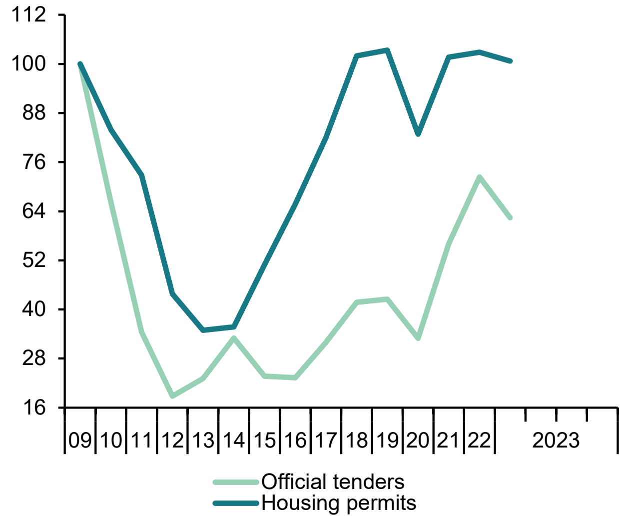


Chart 9.3 - Services indicators (I)

Level, 2009=100

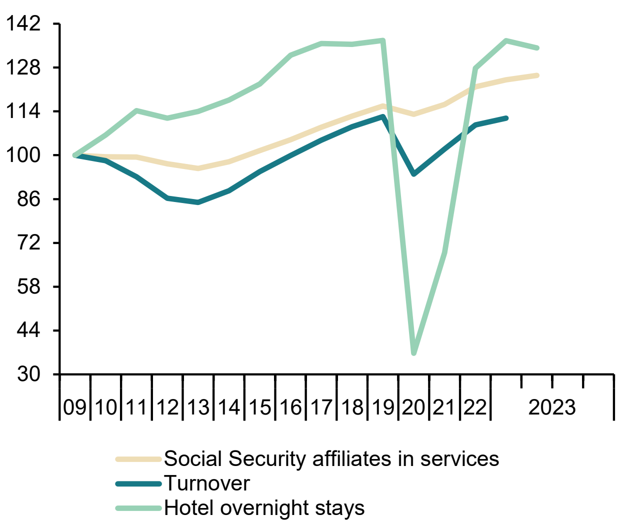


Chart 9.4 - Services indicators (II)

Index

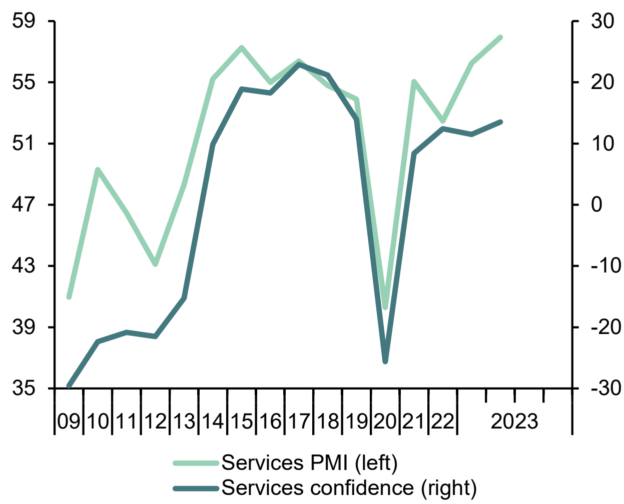


Table 10

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	Large company sales (consumer goods and services)	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)	Large company sales (capital goods)
	2015=100	Thousands, monthly average	Balance of responses	Million, monthly average	Balance of responses	2015=100	Thousands, monthly average	Balance of responses	2015=100	2015=100
2015	100.0	91.2	-4.9	9.2	-3.1	100.0	15.0	0.2	100.0	100.0
2016	103.9	102.5	-6.1	9.5	-1.4	107.3	15.9	-0.2	104.1	104.0
2017	104.7	111.8	-2.9	9.7	2.2	110.3	17.3	4.9	110.7	107.7
2018	105.4	118.7	-4.4	9.7	-5.6	113.1	19.2	12.4	112.9	112.5
2019	107.8	114.6	-6.4	10.0	-2.9	116.0	18.4	8.8	113.1	117.7
2020	100.4	78.3	-22.5	4.3	-25.5	106.3	14.2	-22.7	107.1	110.0
2021	104.0	79.5	-12.9	7.6	-11.1	111.4	15.6	4.7	118.1	115.4
2022	104.9	76.2	-26.5	10.0	-2.9	118.7	13.9	28.2	133.5	124.6
2023 (b)	103.3	85.5	-22.4	7.8	-4.7	113.1	15.9	24.3	139.2	143.2
2021 III	104.7	81.4	-8.3	10.2	-9.4	109.2	14.5	6.4	119.8	113.1
IV	105.5	85.5	-12.4	9.3	-1.5	116.6	14.4	14.7	123.5	119.0
2022 I	102.2	62.9	-18.2	8.6	0.9	118.3	12.7	33.8	129.4	118.9
II	105.1	76.6	-27.0	10.5	2.3	118.8	13.3	29.8	134.1	121.8
III	104.9	85.2	-32.6	10.2	-8.8	118.9	14.3	21.7	136.2	126.8
IV	107.4	85.3	-28.1	10.3	-6.0	120.5	15.5	27.5	138.4	132.8
2023 I	108.7	85.4	-23.0	10.0	-5.6	120.8	16.8	25.8	141.6	147.6
II (b)	--	75.0	-20.7	10.8	-2.0	--	14.4	19.9	--	--
2023 Feb	108.5	83.6	-21.9	9.8	-4.1	118.9	17.2	28.5	141.6	143.0
Mar	108.9	86.0	-24.4	9.7	-4.9	124.2	16.3	25.3	142.5	154.7
Apr	--	75.0	-20.7	10.8	-2.0	--	14.4	19.9	--	--
				Percentage changes (c)						
2015	4.2	22.9	--	5.3	--	7.6	31.1	--	14.4	7.1
2016	3.9	12.4	--	3.6	--	7.3	6.1	--	4.1	4.0
2017	0.8	9.1	--	1.4	--	2.7	8.5	--	6.4	3.6
2018	0.7	6.1	--	0.6	--	2.6	10.8	--	2.0	4.4
2019	2.3	-3.4	--	2.7	--	2.6	-4.0	--	0.2	4.6
2020	-6.9	-31.7	--	-57.2	--	-8.4	-22.6	--	-5.3	-6.5
2021	3.5	1.6	--	77.3	--	4.9	9.4	--	10.3	4.9
2022	0.9	-4.1	--	32.1	--	6.5	-10.8	--	13.0	8.0
2023 (d)	6.6	28.1	--	11.4	--	3.5	27.0	--	9.6	24.3
2021 III	0.8	-2.6	--	94.8	--	-1.7	-11.4	--	3.3	0.2
IV	0.8	5.0	--	-8.4	--	30.0	-1.2	--	13.2	22.7
2022 I	-3.1	-26.5	--	-8.0	--	5.7	-11.2	--	20.4	-0.5
II	2.8	21.9	--	22.2	--	1.8	4.6	--	15.3	10.2
III	-0.2	11.2	--	-3.0	--	0.2	7.5	--	6.5	17.5
IV	2.4	0.1	--	0.8	--	5.5	8.0	--	6.4	20.3
2023 I	1.2	0.1	--	-3.0	--	1.3	8.3	--	9.7	52.5
II (e)	--	-12.2	--	8.2	--	--	-14.0	--	--	--
2023 Feb	-0.2	-3.5	--	-5.9	--	-0.4	2.5	--	0.7	-1.3
Mar	0.5	2.9	--	-0.3	--	4.4	-4.9	--	0.6	8.2
Apr	--	-12.8	--	10.7	--	--	-11.8	--	--	--

(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

Level, 2009=100 and balance of responses

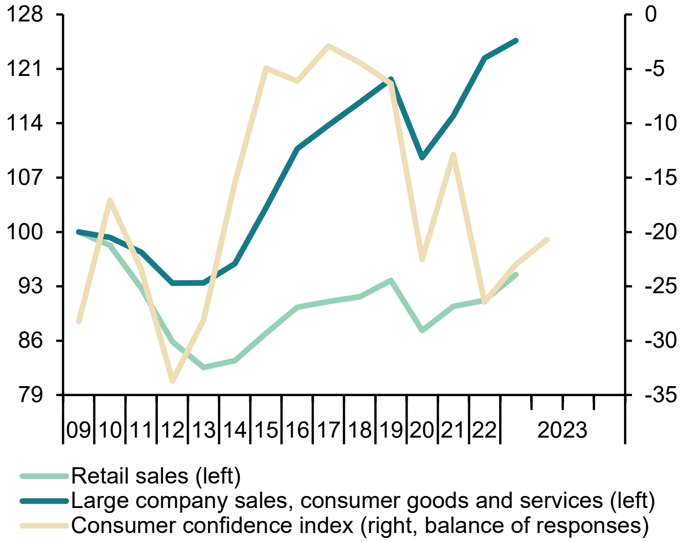


Chart 10.2 - Investment indicators

Level, 2009=100 and balance of responses

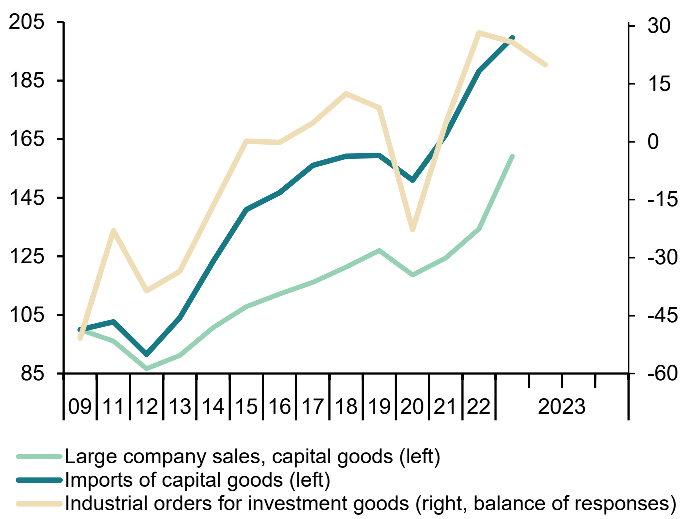


Table 11a

Labour market (I)

Forecasts in yellow

		Population aged 16 or more	Labour force		Employment		Unemployment		Participation rate aged 16 or more (a)	Employment rate aged 16 or more (b)	Unemployment rate (c)			
											Total	Aged 16-24	Spanish	Foreign
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted				Original	
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							Percentage					
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	15.2	34.3	14.3	21.9
2019		39.3	23.0	--	19.8	--	3.2	--	58.6	50.4	14.1	32.5	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		39.7	23.2	--	19.8	--	3.4	--	58.5	49.9	14.8	34.9	13.5	23.1
2022		39.9	23.4	--	20.4	--	3.0	--	58.6	51.1	12.9	29.7	11.9	19.3
2023		40.1	23.5	--	20.6	--	2.9	--	58.6	51.4	12.3	--	--	--
2024		40.2	23.6	--	20.8	--	2.8	--	58.6	51.7	11.9	--	--	--
2021	II	39.6	23.2	23.2	19.7	19.6	3.5	3.6	58.5	49.5	15.4	38.8	13.9	23.8
	III	39.6	23.4	23.3	20.0	19.9	3.4	3.4	58.8	50.2	14.7	31.3	13.5	21.7
	IV	39.7	23.3	23.3	20.2	20.1	3.1	3.1	58.6	50.7	13.5	31.1	12.2	20.9
2022	I	39.8	23.3	23.4	20.1	20.3	3.2	3.1	58.9	51.1	13.2	29.7	12.5	21.3
	II	39.8	23.4	23.4	20.5	20.4	2.9	3.0	58.6	51.2	12.6	29.1	11.5	18.9
	III	40.0	23.5	23.4	20.5	20.4	3.0	3.0	58.5	51.1	12.8	30.5	11.8	18.4
	IV	40.1	23.5	23.5	20.5	20.4	3.0	3.0	58.5	50.9	13.0	29.5	11.9	18.6
2023	I	40.3	23.6	23.7	20.5	20.7	3.1	3.0	58.9	51.3	12.8	29.7	12.1	19.9
		Percentage changes (d)							Difference from one year ago					
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	-2.0
2019		1.0	1.0	--	2.3	--	-6.7	--	0.0	0.7	-1.2	-1.8	-1.1	-1.8
2020		-1.9	-0.9	--	-7.3	--	38.0	--	0.6	-2.8	5.5	11.9	5.5	6.5
2021		2.9	1.7	--	7.8	--	-23.5	--	-0.7	2.3	-4.8	-9.5	-5.2	-3.5
2022		0.7	0.9	--	3.1	--	-11.8	--	0.1	1.2	-1.9	--	--	--
2023		0.4	0.3	--	1.0	--	-4.6	--	0.0	0.3	-0.6	--	--	--
2024		0.4	0.4	--	1.0	--	-2.9	--	0.0	0.3	-0.4	--	--	--
2021	II	0.2	5.6	5.7	5.7	5.7	5.2	5.3	3.0	2.6	0.0	-1.2	0.1	-1.2
	III	0.1	2.4	2.3	4.5	4.5	-8.2	-8.4	1.3	2.1	-1.7	-9.5	-1.3	-3.9
	IV	0.2	1.0	1.0	4.3	4.4	-16.6	-16.4	0.5	2.0	-2.8	-9.2	-2.3	-5.7
2022	I	0.3	1.7	1.7	4.6	4.5	-13.1	-13.4	0.8	2.0	-2.3	-8.3	-2.0	-4.9
	II	0.5	0.7	0.7	4.0	4.0	-17.6	-17.2	0.1	1.7	-2.7	-9.7	-2.5	-4.8
	III	0.8	0.3	0.3	2.6	2.6	-12.8	-12.8	-0.3	0.9	-1.9	-0.8	-1.7	-3.3
	IV	1.1	0.9	0.9	1.4	1.4	-2.6	-2.6	-0.1	0.2	-0.5	-1.6	-0.2	-2.2
2023	I	1.3	1.4	1.4	1.8	1.8	-1.5	-1.7	0.0	0.3	-0.4	-0.1	-0.3	-1.4

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

Source: INE (Labour Force Survey) and Funcas.

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

Thousands and percentage of active population

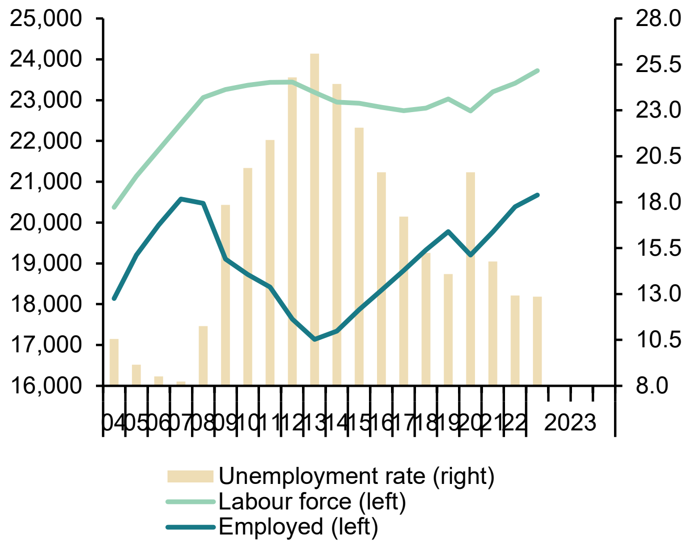


Chart 11a.2 - Unemployment rates

Percentage

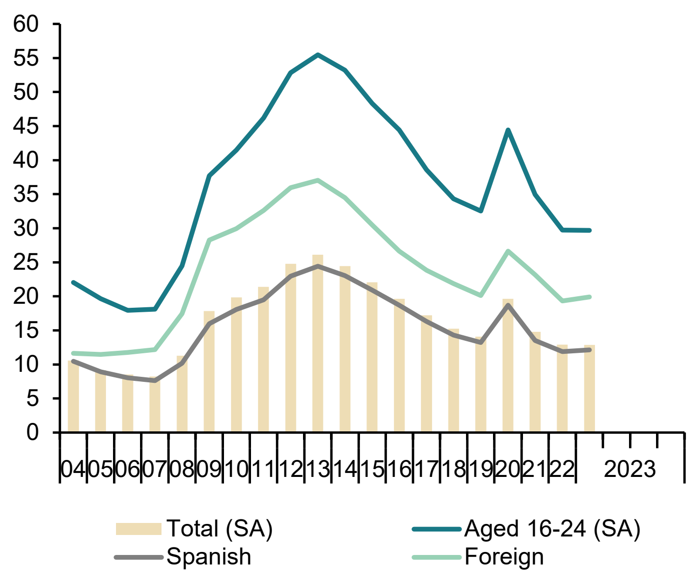


Table 11b

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)											
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		0.80	2.70	1.29	14.98	16.63	4.17	12.46	25.1	3.15	17.03	2.74	13.87
2022		0.77	2.77	1.32	15.52	17.25	3.65	13.61	21.1	3.14	17.63	2.76	13.52
2023 (c)		0.75	2.79	1.30	15.62	17.35	3.00	14.35	17.3	3.10	17.65	2.81	13.72
2021	II	0.81	2.67	1.32	14.87	16.51	4.14	12.37	25.1	3.16	16.84	2.84	14.41
	III	0.76	2.73	1.29	15.25	16.92	4.40	12.52	26.0	3.11	17.33	2.70	13.46
	IV	0.84	2.77	1.29	15.29	16.97	4.31	12.67	25.4	3.21	17.45	2.74	13.56
2022	I	0.83	2.70	1.32	15.24	16.93	4.10	12.83	24.2	3.16	17.28	2.81	13.99
	II	0.79	2.78	1.34	15.56	17.30	3.86	13.45	22.3	3.16	17.65	2.82	13.77
	III	0.73	2.81	1.33	15.68	17.40	3.51	13.89	20.2	3.14	17.92	2.62	12.76
	IV	0.75	2.80	1.30	15.61	17.37	3.11	14.26	17.9	3.09	17.68	2.78	13.59
2023	I	0.75	2.79	1.30	15.62	17.35	3.00	14.35	17.3	3.10	17.65	2.81	13.72
		Annual percentage changes							Difference from one year ago	Annual percentage changes			Difference from one year ago
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		4.9	0.1	3.8	3.3	3.2	7.6	1.8	1.0	1.8	3.2	1.7	-0.2
2022		-3.5	2.6	2.3	3.6	3.8	-12.6	9.2	-3.9	-0.3	3.5	0.6	-0.3
2023 (d)		-9.6	3.5	-1.4	2.4	2.5	-26.9	11.9	-6.9	-1.6	2.2	-0.1	-0.3
2021	II	6.2	0.9	13.3	6.0	6.3	19.2	2.6	2.7	2.7	4.4	14.1	1.1
	III	4.2	1.5	3.5	5.1	5.0	13.0	2.5	1.8	1.5	4.9	1.6	-0.4
	IV	7.4	2.7	0.4	4.8	4.5	7.7	3.5	0.8	3.5	5.5	-2.2	-0.9
2022	I	3.7	2.1	4.3	5.1	5.1	7.0	4.5	0.4	1.7	4.6	4.2	0.0
	II	-2.7	4.2	1.0	4.7	4.8	-6.8	8.7	-2.8	0.0	4.8	-0.6	-0.6
	III	-4.3	3.0	2.7	2.8	2.9	-20.2	11.0	-5.8	0.9	3.4	-2.8	-0.7
	IV	-10.3	1.3	1.2	2.1	2.3	-27.7	12.6	-7.5	-3.7	1.3	1.6	0.0
2023	I	-9.6	3.5	-1.4	2.4	2.5	-26.9	11.9	-6.9	-1.6	2.2	-0.1	-0.3

(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

Level, 2003=100

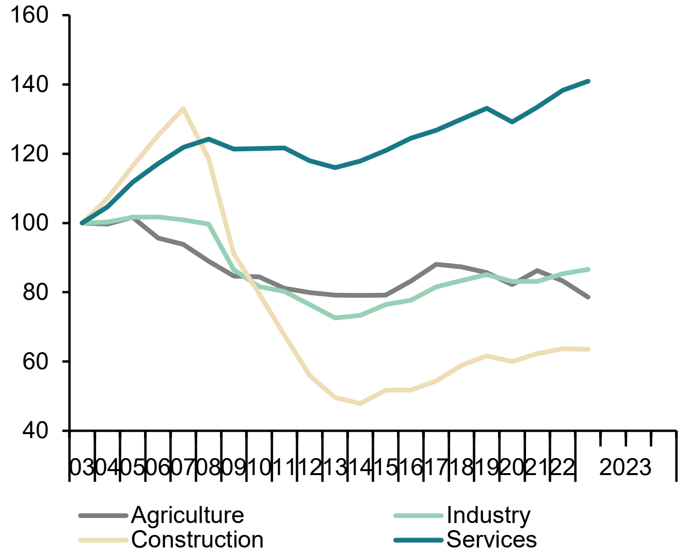


Chart 11b.2 - Temporary employment rate

Percentage over total employees

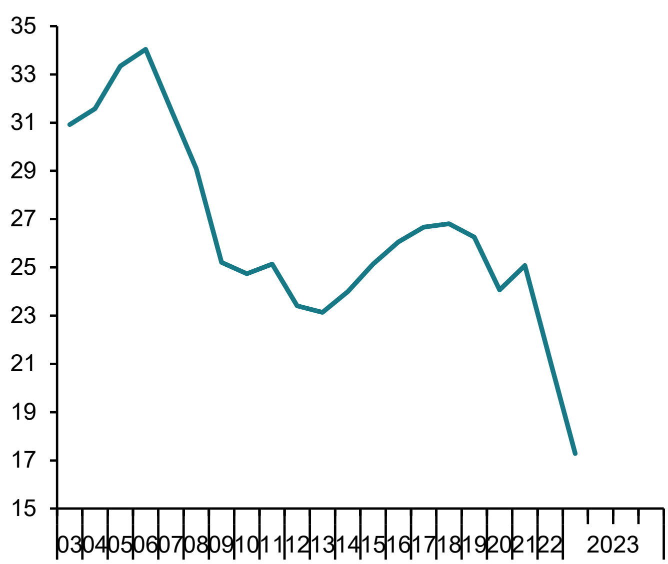


Table 12

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 2022	100.00	66.69	83.52	21.06	45.63	16.82	6.76	9.72	23.59
					Indexes. 2021 = 100					
2017		95.0	97.0	96.8	98.9	95.9	96.0	89.6	87.1	93.8
2018		96.6	97.9	97.7	98.9	97.3	96.9	92.4	92.4	95.5
2019		97.3	98.9	98.5	99.2	98.7	97.5	94.2	91.3	96.3
2020		97.0	99.4	99.2	99.4	99.4	98.7	97.7	82.5	98.4
2021		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2022		108.4	103.7	105.2	104.2	103.3	110.6	110.9	127.9	110.7
2023		112.7	108.7	112.1	109.6	107.9	125.5	122.0	106.5	124.3
2024		116.6	111.6	115.8	112.2	111.0	132.1	128.6	110.6	130.9
					Annual percentage changes					
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		3.1	0.6	0.8	0.6	0.6	1.3	2.4	21.2	1.7
2022		8.4	3.7	5.2	4.2	3.3	10.6	10.9	27.9	10.7
2023		4.0	4.8	6.6	5.2	4.4	13.5	10.0	-16.7	12.3
2024		3.4	2.7	3.2	2.3	2.9	5.2	5.4	3.8	5.3
2023	Jan	5.9	5.1	7.5	6.5	4.1	16.5	10.7	-8.3	14.6
	Feb	6.0	5.2	7.6	6.5	4.2	16.8	13.4	-8.9	15.7
	Mar	3.3	5.1	7.5	5.9	4.4	16.5	13.6	-25.6	15.5
	Apr	4.1	4.6	6.6	4.8	4.3	14.2	8.8	-15.6	12.4
	May	3.5	4.5	6.4	4.6	4.3	13.5	9.7	-19.1	12.2
	Jun	2.2	4.4	6.3	4.6	4.2	13.2	7.9	-26.1	11.3
	Jul	2.5	5.1	6.7	5.2	4.6	12.9	8.4	-26.1	11.4
	Aug	2.9	5.4	7.0	5.5	4.9	13.0	9.0	-25.4	11.7
	Sep	3.8	5.1	6.8	5.3	4.7	13.2	9.8	-19.5	12.1
	Oct	4.2	4.6	6.3	4.7	4.4	12.7	9.3	-12.7	11.4
	Nov	4.8	4.3	5.8	4.3	4.3	11.4	10.4	-6.5	11.0
	Dec	5.2	4.3	5.3	4.2	4.3	9.3	9.7	1.3	9.4
2024	Jan	4.9	3.7	4.8	3.3	3.9	9.0	10.9	1.9	9.5
	Abr	4.2	3.6	4.4	3.0	3.9	7.7	8.7	-0.9	8.0
	May	4.2	3.4	4.2	3.0	3.6	7.2	6.4	2.5	6.9
	Apr	4.1	3.1	3.9	3.0	3.1	6.8	7.5	4.3	7.0
	Ago	4.1	2.9	3.6	2.8	3.0	6.2	6.7	6.7	6.4
	Sep	3.9	2.7	3.3	2.5	2.8	5.7	6.0	7.5	5.8
	Oct	3.5	2.5	3.0	2.3	2.6	5.0	5.3	7.2	5.0
	Aug	3.2	2.3	2.7	2.0	2.4	4.2	4.5	6.5	4.3
	Dic	2.9	2.2	2.5	1.8	2.4	3.5	3.8	5.7	3.6
	Ene	2.5	2.2	2.3	1.6	2.4	3.1	3.2	4.0	3.1
	Feb	2.1	2.1	2.2	1.5	2.4	2.7	1.9	1.8	2.4
	Dec	1.8	2.1	2.1	1.3	2.4	2.2	0.9	-0.5	1.8

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

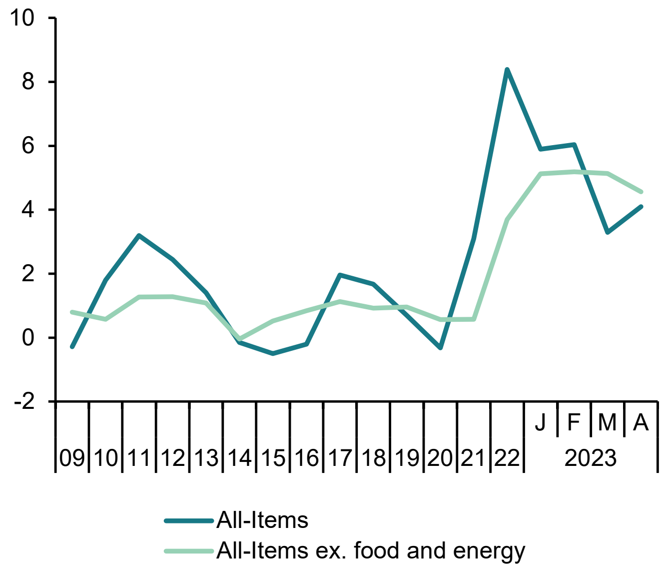


Chart 12.2 - Inflation rate (II)

Annual percentage changes

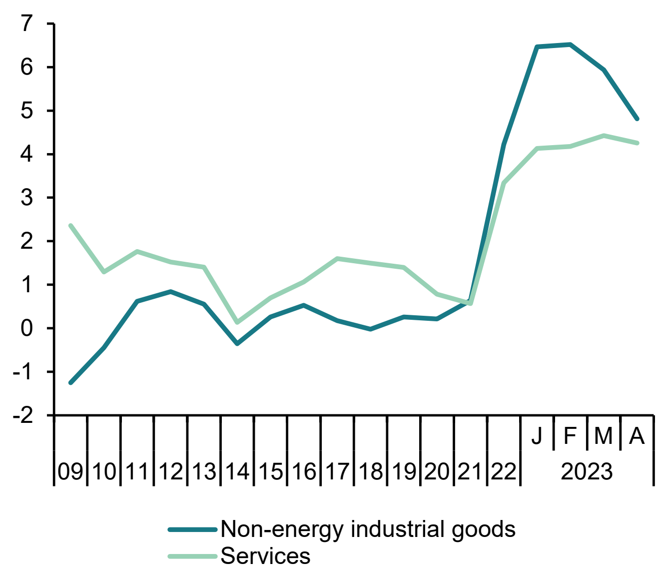


Table 13

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)	m² average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2015=100	2015=100		2007=100			2000=100				
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	148.4	156.2	--
2017		101.6	101.1	101.9	74.3	74.8	58.2	144.0	142.3	149.1	156.2	--
2018		102.9	104.1	103.0	79.3	77.4	57.3	145.4	143.8	150.6	158.5	--
2019		104.4	103.6	103.2	83.3	79.8	57.7	148.7	146.4	155.7	162.7	--
2020		105.7	99.2	103.1	85.0	78.9	52.3	145.4	142.6	154.1	173.3	--
2021		108.1	116.4	110.4	88.2	80.6	54.3	153.9	151.5	161.5	172.3	--
2022		112.7	157.7	125.4	94.7	84.7	57.0	160.4	158.4	166.5	175.7	--
2023 (b)		117.6	152.9	130.5	--	--	--	--	--	--	--	--
2021	III	108.1	118.2	111.4	89.3	80.8	52.4	149.7	146.2	160.3	175.2	--
	IV	110.5	132.9	114.4	90.4	82.4	57.5	162.5	162.2	163.3	179.6	--
2022	I	110.8	147.1	119.6	92.7	84.3	58.3	154.2	150.3	166.2	165.5	--
	II	111.2	158.7	126.4	94.5	84.6	58.4	162.3	161.3	165.3	172.8	--
	III	112.7	165.4	127.4	96.2	84.6	53.9	155.7	152.2	166.5	178.3	--
	IV	116.1	159.6	128.3	95.4	85.1	57.4	169.4	169.9	167.9	186.2	--
2023	I	117.6	154.0	130.5	--	--	--	--	--	--	--	--
	II (b)	--	149.5	130.6	--	--	--	--	--	--	--	--
2023	Feb	--	156.5	130.5	--	--	--	--	--	--	--	--
	Mar	--	152.5	130.8	--	--	--	--	--	--	--	--
	Apr	--	149.5	130.6	--	--	--	--	--	--	--	--
		Annual percent changes (c)										
2015		0.5	-2.1	0.3	3.6	1.1	4.3	0.6	1.1	-0.7	0.6	0.7
2016		0.3	-3.1	-0.4	4.7	1.9	5.3	-0.4	-0.3	-0.8	-0.1	1.0
2017		1.3	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		1.2	-4.3	0.0	2.1	-1.1	-9.4	-2.2	-2.6	-1.0	6.5	1.9
2021		2.3	17.3	7.0	3.7	2.1	3.7	5.9	6.3	4.8	-0.6	1.5
2022		4.3	35.5	13.6	7.4	5.0	5.0	4.2	4.6	3.1	2.0	2.8
2023 (d)		6.2	2.3	7.8	--	--	--	--	--	--	--	3.1
2021	III	2.2	19.1	8.4	4.2	2.6	6.2	4.9	5.0	4.4	0.6	1.5
	IV	3.8	33.1	10.4	6.4	4.4	12.7	4.5	5.1	2.7	-0.5	1.5
2022	I	3.6	41.5	12.7	8.5	6.7	19.1	4.7	5.2	3.4	1.3	2.4
	II	4.1	43.9	15.4	8.0	5.5	0.2	3.8	4.3	2.2	1.2	2.5
	III	4.3	40.0	14.3	7.6	4.7	2.9	4.0	4.1	3.9	1.8	2.6
	IV	5.1	20.0	12.2	5.5	3.3	-0.1	4.2	4.7	2.8	3.7	2.8
2023	I	6.2	4.7	9.0	--	--	--	--	--	--	--	3.1
	II (e)	--	-5.8	3.3	--	--	--	--	--	--	--	3.1
2023	Feb	--	8.0	9.5	--	--	--	--	--	--	--	2.9
	Mar	--	-1.4	7.3	--	--	--	--	--	--	--	3.1
	Apr	--	-4.5	4.2	--	--	--	--	--	--	--	3.1

(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

Level, 2007=100

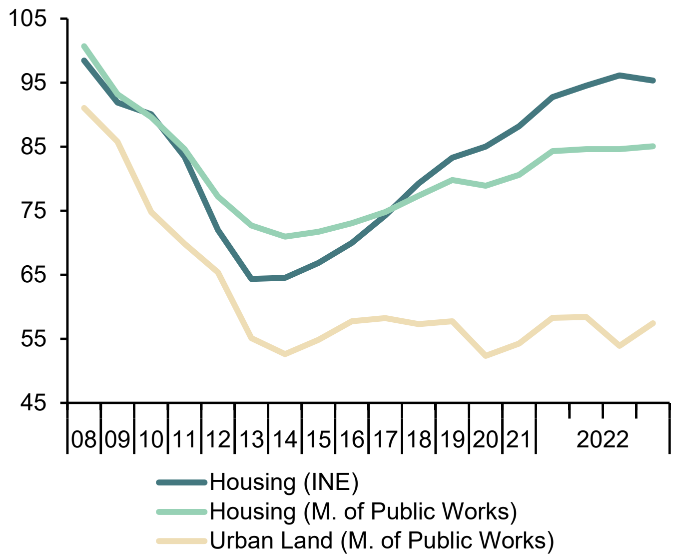


Chart 13.2 - Wage costs

Annual percent change

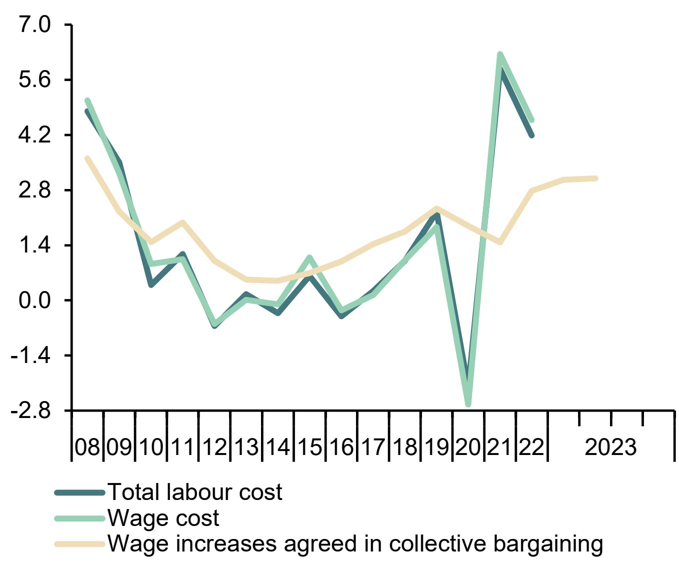


Table 14

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				
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		170.1	112.1	151.8	118.9	107.4	110.8	13.3	8.6	-1.1	0.3	1.3
2021		203.1	121.7	166.9	148.6	120.2	123.7	16.1	10.1	-2.6	-0.2	1.7
2022		251.1	144.0	174.4	196.3	149.3	131.6	20.4	12.1	-5.7	-1.0	3.3
2023(b)		266.6	154.1	173.1	188.3	153.6	122.6	21.9	12.4	-2.2	0.9	4.1
2021	II	208.8	119.4	174.9	145.8	115.8	125.9	16.4	10.3	-1.4	0.5	1.9
	III	210.6	122.4	172.0	150.4	119.6	125.8	16.7	10.3	-2.1	0.3	2.4
	IV	215.6	126.2	170.9	164.4	124.1	132.4	17.1	10.6	-4.1	-0.9	2.2
2022	I	232.9	136.7	170.4	181.0	140.5	128.8	19.1	10.8	-5.1	-1.2	3.1
	II	262.1	144.6	181.2	207.3	146.8	141.2	20.4	13.2	-6.5	-1.2	2.8
	III	262.9	145.3	180.9	208.2	155.3	134.1	21.1	12.6	-6.5	-1.4	3.4
	IV	254.9	148.4	171.8	193.4	155.1	124.7	20.9	11.8	-4.7	-0.2	3.9
2023	I	266.6	154.1	173.1	188.3	153.6	122.6	22.1	12.1	-2.2	0.9	4.5
2023	Jan	261.0	158.3	164.9	188.9	163.1	115.8	21.8	11.6	-3.0	0.1	5.0
	Feb	262.6	156.0	168.3	188.4	152.1	123.8	21.9	11.8	-2.7	0.7	3.9
	Mar	276.2	148.6	185.9	187.7	146.4	128.2	22.5	12.9	-0.9	1.9	4.5
		Percentage changes (c)								Percentage of GDP		
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		-9.4	-0.7	-8.8	-14.1	-3.1	-11.4	-7.0	-12.9	-1.2	0.3	1.4
2021		19.4	8.6	10.0	25.0	12.0	11.7	20.9	17.2	-2.6	-0.2	1.7
2022		23.6	18.3	4.5	32.1	24.2	6.3	26.2	19.4	-5.1	-0.9	3.0
2023(d)		14.6	10.7	3.5	4.0	7.5	-3.2	15.4	13.1	--	--	--
2021	II	11.5	3.6	7.6	12.3	4.7	7.2	10.8	12.6	-1.5	0.5	1.9
	III	0.9	2.6	-1.6	3.2	3.2	-0.1	1.6	-0.2	-2.0	0.2	2.3
	IV	2.4	3.0	-0.7	9.3	3.8	5.3	2.2	2.5	-3.9	-0.8	2.1
2022	I	8.0	8.4	-0.3	10.1	13.2	-2.8	11.8	1.8	-4.8	-1.1	2.9
	II	12.5	5.8	6.4	14.6	4.5	9.7	6.8	22.8	-5.9	-1.1	2.5
	III	0.3	0.5	-0.2	0.4	5.8	-5.1	3.3	-4.3	-5.9	-1.3	3.1
	IV	-3.0	2.1	-5.1	-7.1	-0.1	-7.0	-1.0	-6.4	-4.1	-0.2	3.4
2023	I	4.6	3.8	0.8	-2.6	-1.0	-1.7	5.7	2.6	-1.9	0.7	3.8
2023	Jan	2.1	9.0	-6.3	0.2	9.4	-8.3	4.3	-1.8	--	--	--
	Feb	0.6	-1.4	2.1	-0.3	-6.7	6.9	0.2	1.5	--	--	--
	Mar	5.2	-4.8	10.4	-0.4	-3.8	3.5	2.7	9.7	--	--	--

(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)

Level, 2005=100

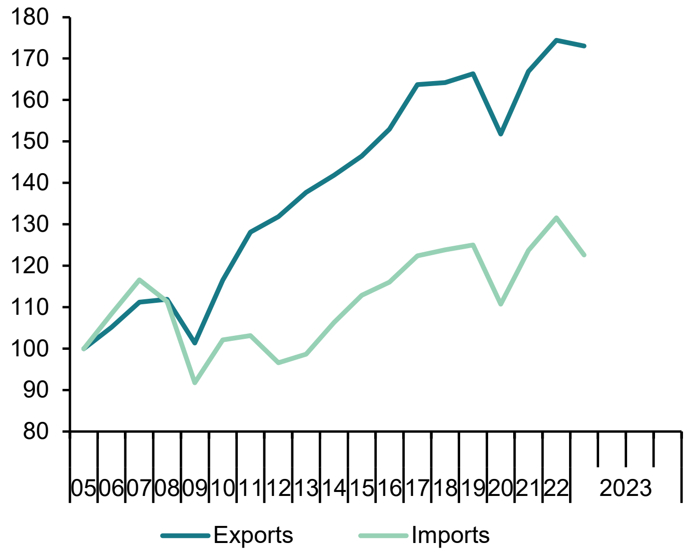


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

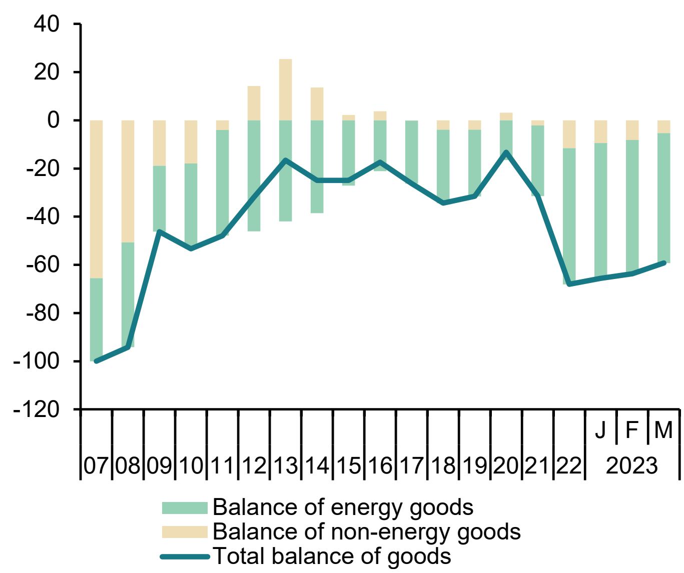


Table 15

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															
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		22.61	-29.31	62.00	1.73	-11.81	5.81	28.42	46.64	-16.87	15.13	49.43	-1.05	-14.25	3.98
2019		26.24	-26.63	63.24	2.20	-12.58	4.22	30.45	10.07	7.95	-49.96	59.17	-7.09	15.76	-4.63
2020		6.79	-8.63	24.92	2.74	-12.24	5.13	11.93	90.94	17.66	48.60	31.58	-6.91	-81.88	-2.87
2021		11.52	-19.71	37.63	6.34	-12.74	10.91	22.44	7.48	-16.92	2.42	19.00	2.97	16.03	1.07
2022 (a)		7.77	-58.34	77.04	3.66	-14.59	11.98	19.74	-9.28	5.22	33.91	-51.46	3.05	32.96	3.94
2021	I	-0.52	-1.27	3.36	1.29	-3.90	1.06	0.54	2.10	-4.56	3.66	1.33	1.67	-3.00	-1.44
	II	2.26	-1.11	6.27	0.78	-3.68	1.78	4.04	24.11	-16.20	15.43	24.71	0.16	-14.40	5.66
	III	4.48	-6.96	13.93	0.40	-2.89	3.00	7.48	7.05	-2.24	2.20	6.41	0.68	6.88	6.45
	IV	5.30	-10.37	14.07	3.87	-2.27	5.07	10.37	13.38	6.14	-6.16	16.97	-3.57	-3.72	-0.71
2022	I	-3.97	-14.15	12.03	1.58	-3.43	1.15	-2.82	-2.06	-2.01	-24.60	24.33	0.22	2.66	3.43
	II	1.95	-14.54	20.73	-0.01	-4.23	2.53	4.48	22.09	9.93	-10.68	23.46	-0.62	-3.87	13.74
	III	2.79	-18.71	25.34	0.46	-4.30	3.15	5.94	-21.30	2.12	-20.59	1.99	-4.82	23.49	-3.75
	IV	7.00	-10.94	18.95	1.64	-2.64	5.15	12.15	11.33	-2.09	5.90	9.39	-1.87	-6.52	-7.34
			Goods and Services		Primary and Secondary Income										
2022	Dec	1.20	0.55		0.65		3.36	4.57	40.59	-1.06	-1.59	44.01	-0.78	-32.84	3.18
2023	Jan	3.28	2.99		0.28		0.43	3.71	-20.57	5.37	7.24	-32.97	-0.21	24.26	-0.02
	Feb	2.29	4.64		-2.34		0.83	3.12	-28.57	-3.40	2.42	-26.33	-1.26	26.36	-5.34
Percentage of GDP															
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	-4.8	-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	-2.4	5.2	0.1	-1.0	0.5	2.4	3.9	-1.4	1.3	4.1	-0.1	-1.2	0.3
2019		2.1	-2.1	5.1	0.2	-1.0	0.3	2.4	0.8	0.6	-4.0	4.8	-0.6	1.3	-0.4
2020		0.6	-0.8	2.2	0.2	-1.1	0.5	1.1	8.1	1.6	4.3	2.8	-0.6	-7.3	-0.3
2021		1.0	-1.6	3.1	0.5	-1.1	0.9	1.9	0.6	-1.4	0.2	1.6	0.2	1.3	0.1
2022 (a)		0.6	-4.4	5.8	0.3	-1.1	0.9	1.5	-0.7	0.4	2.6	-3.9	0.2	2.5	0.3
2021	I	-0.2	-0.5	1.2	0.5	-1.4	0.4	0.2	0.8	-1.6	1.3	0.5	0.6	-1.1	-0.5
	II	0.8	-0.4	2.1	0.3	-1.2	0.6	1.3	8.0	-5.4	5.2	8.2	0.1	-4.8	1.9
	III	1.5	-2.3	4.7	0.1	-1.0	1.0	2.5	2.4	-0.7	0.7	2.1	0.2	2.3	2.2
	IV	1.6	-3.2	4.3	1.2	-0.7	1.5	3.1	4.1	1.9	-1.9	5.2	-1.1	-1.1	-0.2
2022	I	-1.3	-4.6	3.9	0.5	-1.1	0.4	-0.9	-0.7	-0.6	-7.9	7.8	0.1	0.9	1.1
	II	0.6	-4.4	6.2	0.0	-1.3	0.8	1.3	6.6	3.0	-3.2	7.1	-0.2	-1.2	4.1
	III	0.8	-5.7	7.7	0.1	-1.3	1.0	1.8	-6.5	0.6	-6.3	0.6	-1.5	7.1	-1.1
	IV	2.0	-3.1	5.3	0.5	-0.7	1.5	3.4	3.2	-0.6	1.7	2.6	-0.5	-1.8	-2.1

(a) Period with available data.

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

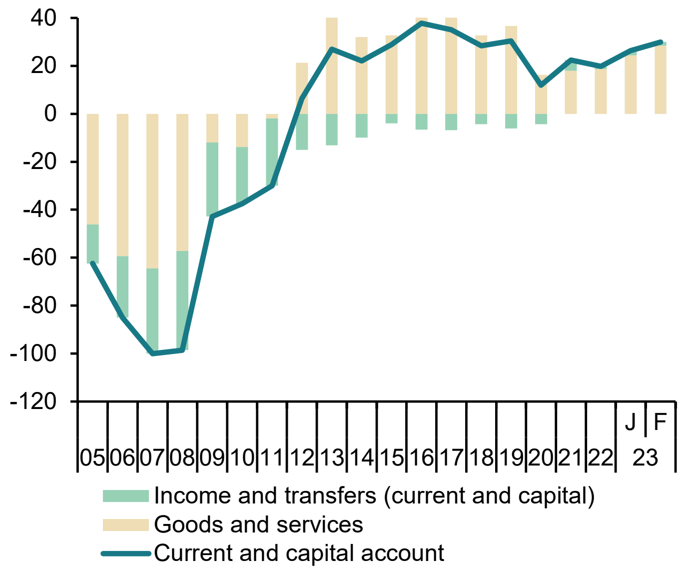


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

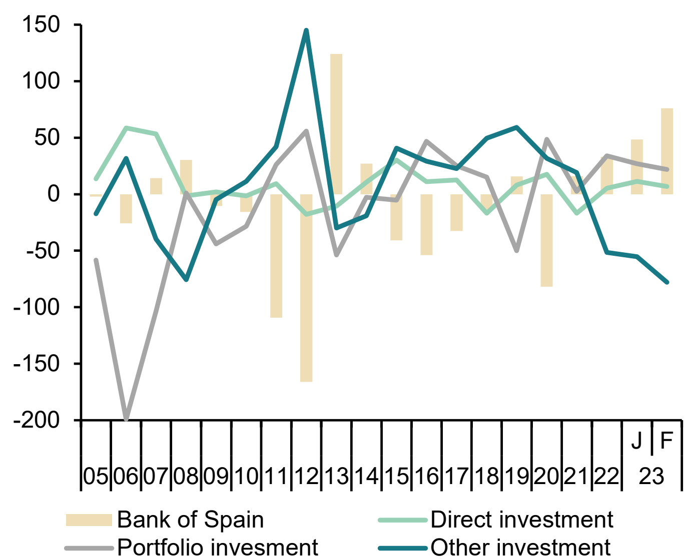


Table 16

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
2016		98.1	96.7	101.4	99.7	100.3	99.4	96.9	97.9	98.9	108.0
2017		97.7	96.4	101.4	101.7	101.8	99.9	101.2	100.7	100.5	109.7
2018		97.4	93.3	104.4	103.5	103.6	99.9	103.8	103.3	100.4	110.5
2019		97.6	94.0	103.9	104.3	104.8	99.5	103.4	103.7	99.8	109.0
2020		95.4	93.3	102.2	103.9	105.1	98.9	99.8	101.2	98.6	108.4
2021		97.1	94.9	102.4	107.0	107.8	99.3	114.6	111.0	106.2	108.9
2022		--	--	--	115.9	116.8	99.3	148.5	140.7	105.6	108.0
2023 (b)		--	--	--	118.3	121.8	97.2	146.5	142.9	102.6	106.7
2022	II	--	--	--	106.9	107.4	99.5	109.5	107.2	102.2	109.5
	III	--	--	--	106.9	108.0	99.0	116.3	112.2	103.7	108.3
	IV	--	--	--	110.2	109.9	100.3	128.3	120.4	106.6	109.4
2022	I	--	--	--	112.3	112.3	100.0	139.8	130.5	107.2	108.9
	II	--	--	--	116.5	116.1	100.4	149.7	138.1	108.4	109.2
	III	--	--	--	117.6	118.1	99.6	154.5	147.7	104.6	107.8
	IV	--	--	--	117.4	120.8	97.1	150.1	146.4	102.5	105.9
2023	I	--	--	--	117.9	121.3	97.2	146.5	142.9	102.6	106.7
2023	Feb	--	--	--	117.8	121.3	97.2	--	--	--	--
	Mar	--	--	--	119.1	122.4	97.3	--	--	--	--
	Apr	--	--	--	119.6	123.1	97.1	--	--	--	--
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2016		-1.3	-3.2	2.0	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	0.2
2017		-0.4	-0.4	0.0	2.0	1.5	0.5	4.5	2.8	1.7	1.5
2018		-0.3	-3.2	2.9	1.7	1.7	0.0	2.5	2.6	-0.1	0.8
2019		0.2	0.7	-0.5	0.8	1.2	-0.4	-0.3	0.4	-0.6	-1.3
2020		-2.3	-0.7	-1.6	-0.3	0.3	-0.6	-3.6	-2.5	-0.8	-0.6
2021		1.8	1.6	0.1	3.0	2.6	0.4	14.8	9.7	5.1	0.4
2022		--	--	--	8.3	8.4	-0.1	29.7	26.8	2.9	-0.8
2023 (c)		--	--	--	4.7	7.7	-3.0	4.8	9.5	-4.7	-0.9
2022	II	--	--	--	2.3	1.8	0.5	12.5	7.3	5.2	0.9
	III	--	--	--	3.4	2.8	0.6	16.6	11.5	5.1	0.1
	IV	--	--	--	5.8	4.6	1.2	27.8	18.8	9.0	0.1
2022	I	--	--	--	7.9	6.1	1.8	34.3	25.4	8.9	0.7
	II	--	--	--	8.9	8.0	0.9	36.7	28.9	7.8	-0.3
	III	--	--	--	10.0	9.3	0.7	32.9	31.6	1.3	-0.5
	IV	--	--	--	6.5	10.0	-3.5	17.0	21.6	-4.6	-3.2
2023	I	--	--	--	5.0	8.0	-3.0	4.8	9.5	-4.7	-2.0
2023	Feb	--	--	--	6.0	8.5	-2.5	7.0	11.1	-4.1	-1.6
	Mar	--	--	--	3.1	6.9	-3.8	0.1	5.0	-4.9	-2.8
	Apr	--	--	--	3.8	7.0	-3.2	--	--	--	--

(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

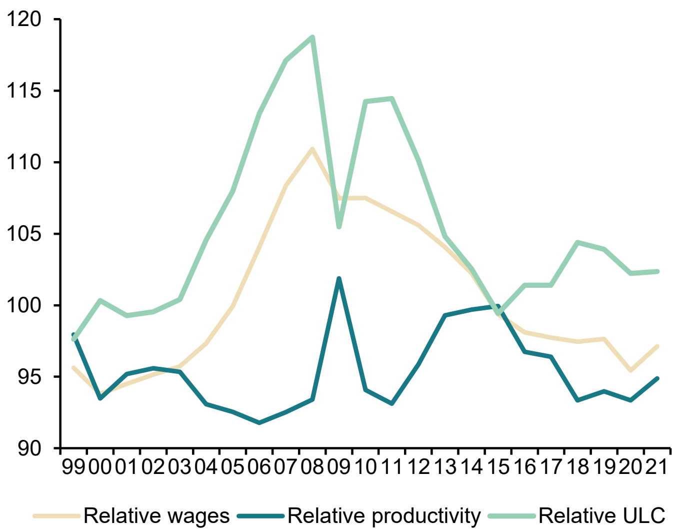


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

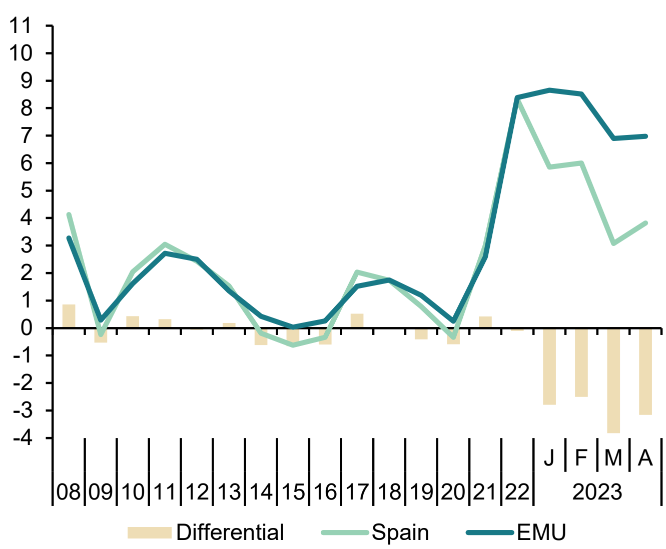


Table 17a

Imbalances: International comparison (I)

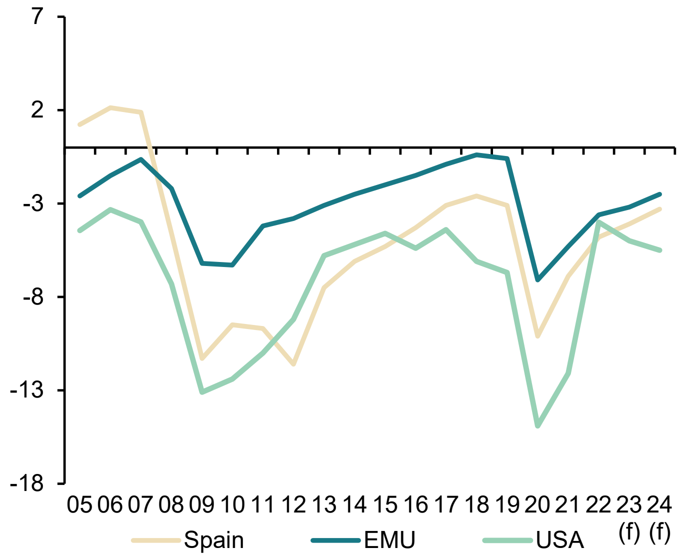
(In yellow: European Commission Forecasts)

	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					
2009	-120.6	-578.8	-1,896.6	569.5	7,466.8	12,311.3	-43.7	44.4	-383.1
2010	-102.2	-598.7	-1,863.1	649.2	8,215.0	14,025.2	-39.2	51.0	-439.8
2011	-103.6	-416.0	-1,709.1	743.0	8,677.1	15,222.9	-29.0	76.8	-460.3
2012	-119.1	-374.0	-1,493.3	927.8	9,172.9	16,432.7	0.9	211.0	-423.9
2013	-76.8	-305.1	-977.3	1,025.7	9,502.3	17,352.0	20.8	271.2	-352.1
2014	-63.1	-253.1	-910.4	1,084.8	9,745.8	18,141.4	17.5	315.3	-376.2
2015	-57.2	-209.1	-837.2	1,113.7	9,866.3	18,922.2	21.8	353.1	-424.7
2016	-47.9	-159.0	-1,010.1	1,145.1	10,041.3	19,976.8	35.4	385.0	-403.7
2017	-36.2	-105.0	-861.5	1,183.4	10,127.9	20,492.7	32.2	402.2	-371.4
2018	-31.2	-49.8	-1,251.1	1,208.9	10,239.8	21,974.1	22.6	409.1	-441.2
2019	-38.1	-77.0	-1,423.5	1,223.4	10,348.2	23,201.4	26.2	330.4	-452.6
2020	-113.2	-809.9	-3,129.6	1,345.8	11,415.4	27,747.8	6.8	279.5	-592.5
2021	-82.9	-657.4	-2,812.8	1,427.2	12,038.7	29,617.2	11.5	428.2	-861.4
2022	-63.8	-484.1	-1,020.0	1,502.5	12,480.0	31,419.7	7.8	76.7	-994.7
2023	-57.8	-454.6	-1,336.8	1,562.4	13,000.2	32,622.5	23.2	307.7	-875.2
2024	-49.2	-364.6	-1,511.0	1,617.4	13,430.4	34,036.3	22.4	360.3	-836.1
				Percentage of GDP					
2009	-11.3	-6.2	-13.1	53.3	80.1	85.0	-4.1	0.5	-2.6
2010	-9.5	-6.3	-12.4	60.5	85.7	93.2	-3.7	0.5	-2.9
2011	-9.7	-4.2	-11.0	69.9	88.2	97.6	-2.7	0.8	-3.0
2012	-11.6	-3.8	-9.2	90.0	92.8	101.1	0.1	2.1	-2.6
2013	-7.5	-3.1	-5.8	100.5	95.2	103.0	2.0	2.7	-2.1
2014	-6.1	-2.5	-5.2	105.1	95.4	103.4	1.7	3.1	-2.1
2015	-5.3	-2.0	-4.6	103.3	93.4	103.9	2.0	3.3	-2.3
2016	-4.3	-1.5	-5.4	102.7	92.4	106.9	3.2	3.5	-2.2
2017	-3.1	-0.9	-4.4	101.8	89.8	105.2	2.8	3.6	-1.9
2018	-2.6	-0.4	-6.1	100.4	87.9	107.0	1.9	3.5	-2.1
2019	-3.1	-0.6	-6.7	98.2	85.9	108.5	2.1	2.7	-2.1
2020	-10.1	-7.1	-14.9	120.4	99.1	131.8	0.6	2.4	-2.8
2021	-6.9	-5.3	-12.1	118.3	97.2	127.0	1.0	3.5	-3.7
2022	-4.8	-3.6	-4.0	113.2	93.1	123.4	0.6	0.6	-3.9
2023	-4.1	-3.2	-5.0	110.6	90.8	121.8	1.6	2.1	-3.3
2024	-3.3	-2.5	-5.5	109.1	89.9	122.8	1.5	2.4	-3.0

Source: European Commission Forecasts, Spring 2023.

Chart 17a.1 - Government deficit

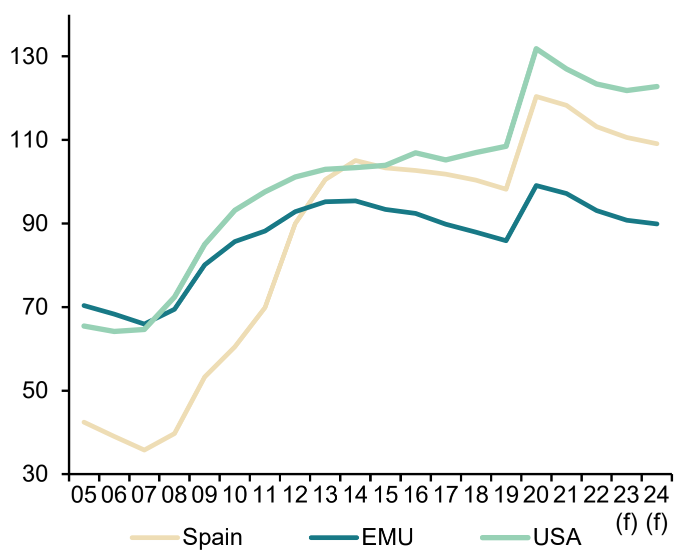
Percentage of GDP



(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	4,771.1	12,115.6	954.1	7,223.7	8,187.2
2006	783.5	5,192.8	13,420.8	1,171.9	7,814.9	9,007.5
2007	879.3	5,560.9	14,350.6	1,371.6	8,718.6	10,141.9
2008	916.7	5,773.7	14,218.8	1,460.0	9,277.1	10,715.3
2009	908.9	5,880.4	14,056.7	1,473.5	9,305.3	10,197.4
2010	905.2	6,021.2	13,865.2	1,498.0	9,590.4	10,066.0
2011	877.9	6,104.2	13,734.6	1,458.3	10,035.5	10,303.2
2012	840.7	6,096.5	13,666.9	1,340.4	10,140.7	10,849.8
2013	793.4	6,057.5	13,899.2	1,268.5	10,119.6	11,363.5
2014	757.5	6,064.0	14,017.7	1,202.1	10,612.6	12,133.0
2015	733.1	6,127.4	14,190.2	1,183.8	11,352.5	12,945.7
2016	718.3	6,232.4	14,600.6	1,166.6	11,696.8	13,599.3
2017	710.8	6,394.5	15,145.5	1,147.0	11,853.7	14,562.7
2018	709.4	6,582.4	15,602.5	1,144.6	12,150.3	15,546.5
2019	707.5	6,811.0	16,094.8	1,160.9	12,573.0	16,306.1
2020	700.4	7,000.8	16,711.1	1,205.2	13,064.8	17,805.4
2021	704.2	7,294.1	17,939.7	1,261.6	13,693.9	18,673.5
2022	702.8	–	18,955.4	1,240.1	–	19,876.8
	Percentage of GDP					
2005	70.8	56.5	92.9	102.9	85.6	62.8
2006	78.0	58.4	97.1	116.7	87.9	65.2
2007	81.8	59.2	99.1	127.5	92.9	70.1
2008	82.6	60.0	96.3	131.6	96.5	72.5
2009	85.0	63.4	97.1	137.8	100.4	70.4
2010	84.4	63.2	92.1	139.6	100.6	66.9
2011	82.5	62.3	88.0	137.1	102.4	66.0
2012	81.5	62.0	84.1	130.0	103.1	66.8
2013	77.7	61.0	82.5	124.3	101.8	67.5
2014	73.4	59.6	79.9	116.4	104.3	69.1
2015	68.0	58.2	77.9	109.8	107.9	71.1
2016	64.5	57.6	78.1	104.7	108.2	72.7
2017	61.1	57.0	77.8	98.7	105.6	74.8
2018	58.9	56.7	76.0	95.1	104.7	75.7
2019	56.8	56.8	75.3	93.2	104.9	76.3
2020	62.6	61.1	79.3	107.8	114.0	84.5
2021	58.4	59.2	76.9	104.5	111.2	80.1
2022	53.0	–	74.4	93.4	–	78.1

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

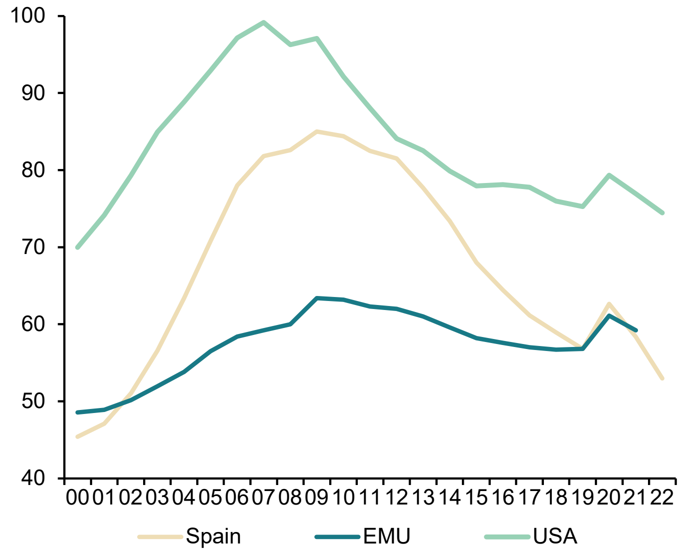
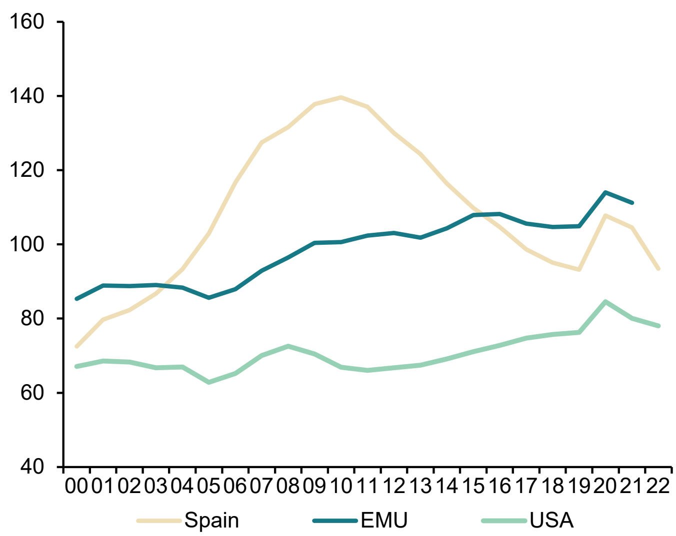


Chart 17b.2 - Non-financial corporations debt

Percentage of GDP



50 Financial System Indicators

Updated: May 15th, 2023

Highlights		
Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.3	February 2023
Other resident sectors' deposits in credit institutions (monthly average % var.)	-1.3	February 2023
Doubtful loans (monthly % var.)	-0.7	February 2023
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	1,100,501	April 2023
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	96,179	April 2023
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	1	April 2023
"Operating expenses/gross operating income" ratio (%)	46.99	December 2022
"Customer deposits/employees" ratio (thousand euros)	12,610.21	December 2022
"Customer deposits/branches" ratio (thousand euros)	117,256.85	December 2022
"Branches/institutions" ratio	92.88	December 2022

A. Money and Interest Rates

Indicator	Source	Average 2001-2020	2021	2022	2023 April	2023 15 May	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.5	6.9	4.1	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.3	-0.572	2.482	3.265	3.323	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.6	-0.501	3.368	3.880	3.795	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.2	0.5	3.2	3.4	3.4	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.6	-	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": In a situation of increased uncertainty regarding persistent inflation and sources of international financial instability, central banks have continued on the path of interest rate hikes, while not ruling out some moderation in the near future. In this context, market interest rates have shown mixed behavior in the first half of May. The 3-month Euribor has risen from 3.265% in April to 3.323% in mid-May, while the 12-month Euribor has changed from 3.800% to 3.795% over the same period. In the first half of May, the yield on the 10-year government bond has remained unchanged at 3.4% from April to mid-May.

B. Financial Markets

Indicator	Source	Average 2001-2020	2021	2022	2023 February	2023 March	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	35.7	27.9	27.8	31.92	34.14	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	23.1	14.1	12.4	14.47	13.55	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.39	0.04	0.26	0.35	0.69	(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	0.52	0.44	0.32	0.23	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.35	-0.62	0.02	2.5	2.6	Outright transactions in the market (not exclusively between account holders)
11. Ten-year maturity treasury bonds interest rate	BE	3.28	0.39	2.17	3.4	3.3	Average rate in 10-year bond auctions
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.06	1.3	-1.3	1.2	-1.3	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	2.5	0.5	1.8	-10.3	50.3	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec 1985=100)	Bank of Spain and Madrid Stock Exchange	986.4	861.3	824.2	935.6	912.62 (a)	Base 1985=100
15. IBEX-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,541.2	8,771.5	8,851,0	9,394.6	9,201.5 (a)	Base dec1989=3000
16. Nasdaq Index	Nasdaq	3,924.5	15,644.9	10,466.4	11,447.58	12,301.17	Nadaq composite index
17. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.4	21.1	16.1	18.2	28.4 (a)	Madrid Stock Exchange Ratio “share value/ capital profitability”

B. Financial Markets (continued)

Indicator	Source	Average 2001-2020	2021	2022	2023 February	2023 March	Definition and calculation
18. Short-term private debt. Outstanding amounts (% chg.)	BE	0.79	2.4	8.01	-4.39	0.40	Change in the outstanding short-term debt of non-financial firms
19. Short-term private debt. Outstanding amounts	BE	1.0	0.9	-5.72	-0.31	-0.96	Change in the outstanding long-term debt of non-financial firms
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	0.3	2.10	-1.21	-7.8	32.8	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	14.8	21.1	35.8	-61.5	20.0	IBEX-35 shares concluded transactions

(a) Last data published: May 15th, 2023.

Comment on "Financial Markets": In the first half of May, stock market indexes have been recovering from the decline in mid-April due to the contagion risk following the bankruptcy of Silicon Valley Bank and the serious issues faced by Credit Suisse with its resolution and absorption, which caused markets to lose part of the gains made in the first two months of the year. The IBEX-35 stands at 9,201.5 points. The General Index of the Madrid Stock Exchange is at 912.62 points. On the other hand, in the month of March (latest available data), there was an increase in the ratio of simple spot operations with Treasury bills (up to 34.14%). Meanwhile, the ratio of operations with government bonds decreased (down to 13.55%). Futures trading on the IBEX-35 increased by 32.8%, while financial options on the same index rose by 20% compared to the previous month.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2019	2020	2021	2022 Q3	2022 Q4	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-1.1	1.2	1.9	1.4	1.5	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	1.7	7.2	4.4	0.9	0.9	Difference between financial assets and financial liabilities flows over GDP
24. Debt in securities (other than shares) and loans/GDP (National Economy)	Bank of Spain	271.1	335.3	319.9	287.4	277.9	Public debt. non-financial companies debt and households and non-profit institutions debt over GDP
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	63.1	62.5	58.4	54.4	53.0	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.9	1.8	2.7	-2.0	2.8	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	-1.1	0.3	0.8	-1.7	0.4	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2022Q4. the financial savings to GDP in the overall economy increased to a rate of 1.5% of GDP. The financial savings rate of households remained flat at 1%. The debt to GDP ratio of the economy fell to 277.9%. Finally. there was an increase in the stock of financial assets on households' balance sheets of 2.8% and of 0.4% in the stock of financial liabilities.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2020	2021	2022	2023 January	2023 February	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	4.9	0.2	-0.04	-1.1	-0.3	Lending to the private sector percentage change for the sum of banks, savings banks and credit unions.
29. Other resident sectors' deposits in credit institutions (monthly average % var.)	Bank of Spain	6.0	0.3	0.01	-1.7	-1.3	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	8.4	-0.7	1.2	1.0	2.7	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	7.5	0.1	-0.1	0.2	0.7	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	-2.0	0.5	2.5	5.0	4.7	Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end).
33. Doubtful loans (monthly average % var.)	Bank of Spain	-0.4	-0.4	-1.5	-0.6	-0.7	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	2.1	0.6	-2.4	22.5	-8.7	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	6.4	-0.1	0.1	0.6	0.08	Equity percentage change for the sum of banks, savings banks and credit unions.

Comment on "Credit institutions. Business Development": In February, the latest available data, there was a decrease in credit to the private sector of 0.3%. Deposits fell by 1.3%. Fixed income securities increased their weight on the balance sheet by 2.7%, while equities and shares increased by 0.7%. Additionally, there was a reduction in the volume of non-performing loans by 0.7% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2019	2020	2021	2022 September	2022 December	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	176	113	110	111	110	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	76	78	84	81	80	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	229,219	175,185	164,101	164,101 (a)	164,101 (a)	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	36,919	22,589	19,015	17,813	17,648	Total number of branches in the banking sector
40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions)	Bank of Spain	385,079	1,774,798	2,206,332	2,124,169	1,100,501 (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	82,081	260,971	289,545	289,740	96,179 (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	24,751	3	16	5	1 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2021.

(b) Last data published: April 30th, 2023.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In April 2023, the net appeal to the Eurosystem by Spanish financial institutions was 96,179 million euros.

MEMO ITEM: Since January 2015, the European Central Bank has also been reporting the amount of various asset purchase programs. In April 2023, its value in Spain was 622,412 million euros, and 4.9 trillion euros in the Eurozone as a whole.

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

Indicator	Source	Average 2000-2019	2020	2021	2022 Q3	2022 Q4	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	46.86	54.90	54.18	43.55	46.99	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	4,276.15	11,173.92	12,137.18	13,518,25	12,610.21	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	28,156.84	89,952.10	111,819.77	124,535.95	117,256.85	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2019	2020	2021	2022 Q3	2022 Q4	Definition and calculation
46. “Branches/institutions” ratio	Bank of Spain	181.61	116.74	98.01	92.77	92.88	Network expansion indicator
47. “Employees/branches” ratio	Bank of Spain	6.01	8.1	9.2	9.2	9.3	Branch size indicator
48. “Equity capital” (monthly average % var.)	Bank of Spain	0.04	-2.4	0.6	0.3	1.3	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.41	0.4	0.5	0.6	0.7	Profitability indicator, defined as the “pre-tax profit/average total assets”
50. ROE	Bank of Spain	5.55	-0.7	6.9	8.9	9.8	Profitability indicator, defined as the “pre-tax profit/equity capital”

Comment on “Credit institutions. Efficiency and Productivity, Risk and Profitability”: During 2022Q4. there was a relative increase in the profitability of Spanish banks.

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 (foreign-born)	New exits (born in Spain)
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	47,385,107	43.8	19.6	80.2	85.8	53.4	30.1	15.5	621,216	56,098
2022	47,475,420	44.1	20.0			53.5	30.7	15.9		
Sources	EPC	EPC	EPC	ID INE	ID INE	EPC	EPC	EPC	EVR	EVR

ID INE: Indicadores Demográficos INE.

EPC: Estadística del Padrón Continuo.

EVR: Estadística de Variaciones Residenciales.

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

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

Table 2

Households and families

	Households				Nuptiality					
	Households (thousands)	Average household size	Households with one person younger than 65 (%)	Households with one person older than 65 (%)	Marriage rate (Spanish)	Marriage rate (foreign population)	Divorce rate	Mean age at first marriage, men	Mean age at first marriage, women	Same sex marriages (%)
2008	16,742	2.71	12.0	10.2	8.5	8.4	2.39	32.4	30.2	1.6
2010	17,174	2.67	12.8	9.9	7.2	7.9	2.21	33.2	31.0	1.9
2012	17,434	2.63	13.7	9.9	7.2	6.7	2.23	33.8	31.7	2.0
2014	18,329	2.51	14.2	10.6	6.9	6.5	2.17	34.4	32.3	2.1
2015	18,376	2.54	14.6	10.7	7.3	6.5	2.08	34.8	32.7	2.3
2016	18,444	2.52	14.6	10.9	7.5	6.8	2.08	35.0	32.9	2.5
2017	18,512	2.52	14.2	11.4	7.4	7.0	2.11	35.3	33.2	2.7
2018	18,581	2.51	14.3	11.5	7.1	6.6	2.04	35.6	33.4	2.9
2019	18,697	2.52	14.9	11.2	7.1	6.7	1.95	36.0	33.9	3.1
2020	18,794	2.52	15.0	11.4	3.8	4.1	1.63	37.1	34.9	3.5
2021	18,919	2.50	15.6	11.0	6.3	5.6	1.83	36.8	34.6	3.4
2022	19,113	2.48								
2023•	19,281	2.46								
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	1.13	1.47	47.6	10.3	65.8
2021	31.6	1.16	1.38	49.3	10.7	67.2
Sources	ID INE	ID INE	ID INE	ID INE	MSAN	MSAN

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

Marriage rate: Number of marriages per thousand population.

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

Divorce rate: Number of divorces per thousand population.

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

● Data refers 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 (millions 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	4.6
2010	30.6	8.6	17.0	27.7	1,872,829	672,213	555,580	1,445,392	104,844	53,099	4.9
2012	28.5	7.5	17.8	26.6	1,912,324	692,098	617,686	1,450,036	113,805	46,476	4.5
2014	24.4	6.1	27.2	42.3	1,840,008	690,738	652,846	1,364,023	142,156	44,846	4.3
2015	23.3	6.6	27.5	40.9	1,808,322	695,557	641,741	1,321,698	171,043	46,598	4.3
2016	22.4	6.6	28.1	40.7	1,780,377	687,595	652,471	1.303.252	190,143	47,579	4.3
2017	21.4	6.6	28.5	41.2	1,767,179	676,311	667,984	1,287,791	209,754	49,458	4.2
2018	20.5	6.4	29.2	42.4	1,750,579	667,287	675,971	1,290,455	217,840	50,807	4.2
2019	19.3	6.3	30.3	44.7	1,749,597	673,740	706,533	1,296,379	237,118	53,053	4.3
2020	17.7	6.1	31.3	44.8	1,622,098	687,084	772,417	1,336,009	247,251	55,184	4.9
2021	16.4	5.8	32.3	46.7	1,628,472	690,481	773,689	1,338,304	258,991	59,657	4.6●
2022	16.1	5.8	32.6	49.2							
Sources	LFS	LFS	LFS	LFS	MECD	MECD	MECD	MECD	MECD	MECD	MECD

LFS: Labor Force Survey.

MECD: Ministerio de Educación, Cultura y Deporte.

● Provisional data.

Table 4

Social protection: Benefits

	Contributory benefits*							Non-contributory benefits			
		Retirement		Permanent disability		Widowhood			Social Security		
	Unemployment total	Total	Average amount (€)	Total	Average amount (€)	Total	Average amount (€)	Unemployment	Retirement	Disability	Other
2008	1,100,879	4,936,839	814	906,835	801	2,249,904	529	646,186	265,314	199,410	63,626
2010	1,471,826	5,140,554	884	933,730	850	2,290,090	572	1,445,228	257,136	196,159	49,535
2012	1,381,261	5,330,195	946	943,296	887	2,322,938	602	1,327,027	251,549	194,876	36,310
2014	1,059,799	5,558,964	1000	929,484	916	2,348,388	624	1,221,390	252,328	197,303	26,842
2015	838,392	5,641,908	1,021	931,668	923	2,353,257	631	1,102,529	253,838	198,891	23,643
2016	763,697	5,731,952	1,043	938,344	930	2,364,388	638	997,192	254,741	199,762	21,350
2017	726,575	5,826,123	1,063	947,130	936	2,360,395	646	902,193	256,187	199,120	19,019
2018	751,172	5,929,471	1,091	951,838	946	2,359,931	664	853,437	256,842	196,375	16,472
2019	807,614	6,038,326	1,138	957,500	975	2,361,620	712	912,384	259,570	193,122	14,997
2020	1,828,489	6,094,447	1,162	952,704	985	2,352,680	725	1,017,429	261,325	188,670	13,373
2021	922,856	6,165,349	1,190	949,765	994	2,353,987	740	969,412	262,177	184,378	11,892
2022	773,227	6,253,797	1,254	951,067	1035	2,351,703	778	882,585	265,830	179,967	10,633
2023	843,850■	6,333,029●	1,371●	946,102●	1,120●	2,350,892●	849●	908,451■	268,167●	177,153●	9,980●
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-April.*

■ *Data refer to January-March.*

Table 5

Social protection: Health care

	Expenditure		Resources				Satisfaction*		Time on waiting list (days)	
	Public expenditure (% GDP)	Public expenditure (millions of €)	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	6.1	67,344	1.8	0.8	3.0	0.6	6.4	7.0	71	59
2010	6.6	71,136	1.8	0.8	3.2	0.6	6.6	7.3	65	53
2012	6.3	64,734	1.8	0.8	3.1	0.6	6.6	7.5	76	53
2014	6.2	63,507	1.8	0.8	3.1	0.7	6.3	7.5	87	65
2015	6.2	66,489	1.9	0.8	3.2	0.7	6.4	7.5	89	58
2016	6.1	67,724	1.9	0.8	3.3	0.6	6.6	7.6	115	72
2017	6.0	69,312	1.9	0.8	3.4	0.6	6.7	7.5	106	66
2018	6.0	72,157	2.0	0.8	3.5	0.7	6.6	7.5	129	96
2019	6.1	75,929	2.0	0.8	3.5	0.7	6.7	7.6	115	81
2020	7.6	85,503	2.0	0.8	3.7	0.7			148	99
2021	7.3	88,625●	2.1	0.8	3.9	0.7			123	89
2022							6.3		120	95.2
Sources	EUROSTAT	EUROSTAT	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS

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".*

● *Provisional data.*

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Notes

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ISSN: 2254 - 3880
9772254388005

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